

# Florida Office of Insurance Regulation



2013 Annual Report – October 1, 2013

Medical Malpractice Financial Information  
Closed Claim Database and Rate Filings

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## Executive Summary

Section 627.912(6)(b)&(c), Florida Statutes, requires the Office of Insurance Regulation (the Office) to prepare an annual report about the medical malpractice insurance market in Florida. As required by law, this report provides:

- A review of the profitability and solvency of medical malpractice insurers doing business in Florida;
- A comparison of Florida medical malpractice insurance data to that of other states;
- A review of rate filings resolved by the Office during the 2012 calendar year; and
- An analysis of Florida medical malpractice closed claims.

It also provides:

- Detailed information by leading states and for leading companies that is targeted specifically to the physicians malpractice subline, and similar information for each of the other three sublines (other healthcare professionals, hospitals, and other facilities);
- Information on the breakdown of the market between licensed insurance companies, surplus lines companies, and risk retention groups for each of the four sublines;
- Information on competition and marketplace dynamics for the physicians malpractice market; and
- A comparison of malpractice premiums in leading states for physicians malpractice insurance.

This report satisfies the statutory requirements. Specifically it analyzes the financial performance of the 25 medical malpractice insurance writers that constituted 80% of the overall Florida market in 2012.

**Market size and cost components** - Florida is the fifth largest U.S. state in terms of total medical malpractice premium, with roughly \$520 million in 2012 direct written premium. Among the top 10 states by premium, Florida's:

- Combined loss and defense and cost containment ratio of 52.5% ranks sixth highest,
- Non-claims-based expense ratio of 20.4% is the second highest,
- Claims-based adjusting and other expense of 3.0% is the lowest, and
- Combined ratio (total payouts to premium) of 82.9%, up from 71% in 2011, is the fifth largest.

**Carrier financial strength** - It is estimated that the Florida medical malpractice line of business standing alone generated a direct (before reinsurance) return on surplus of 14.0% in 2012. This return compares very positively with the average countrywide all-lines net return on surplus for Florida's leading medical malpractice writers of 5.3% (down from 7.1% in 2011, but not far out of line with market returns in 2012). This represents the ninth consecutive year of profitability. One should consider that the 2012 countrywide calendar year financial results of the various insurers may be heavily affected by improvements in their cost estimates for claims from older years. The data in the National Association of Insurance Commissioners financial database suggests that individual companies posted costs were reduced by 2-20% of premium as a result



of the improvements in cost estimates for prior years. Related financial information in the report also suggests that the leading malpractice carriers as a class are financially strong.

**Breakdown of the market by subline** – Physicians malpractice dominates the medical malpractice premium in Florida. Sixty-nine percent (69%) of the 2012 Florida medical malpractice written premium was for physicians, 17% was for other professionals, 6% was for hospitals, and 8% was for other medical facilities.

**Breakdown of the market between licensed carriers and total of surplus lines insurers and risk retention groups** – For the overall medical malpractice market, 67% of the premium is generated by licensed insurance companies (as opposed to surplus lines carriers and risk retention groups). However, the results are very different when the scope is limited to one of the individual sublines broken out in the annual statement. The following percentages of premium, by subline, are for licensed insurance companies:

- Physicians and surgeons: 78%
- Other healthcare professionals: 68%
- Hospitals: 7%
- Other facilities: 12%

For the most part, loss ratios within each segment did not differ materially by carrier type.

**Admissions Unit activity** – Eight (8) carriers entered the Florida during 2012. Two within a common corporate group had their license withdrawn, suspended, or surrendered. One risk purchasing group entered the market during 2012.

**Legislation** – Three bills affecting medical malpractice were passed in the 2013 legislation session:

- House Bill 7015 allows judges to evaluate expert witness testimony,
- Senate Bill 468 reduces Office filing requirements in certain segments, and
- Senate Bill 1792 limits expert witnesses to those practicing in the same field as the defendant and allows greater communication between insurers and non-defendant physicians.

**Key financial information on physicians malpractice** – Florida is the fourth largest state for physicians malpractice, with \$358 million in 2012 direct written premium. Its loss (specifically excluding defense and cost containment, just loss) ratio during 2012, at 32.0%, was the sixth highest (fifth lowest) among the top ten states. That midrange ranking nonetheless translates to an estimated 2012 combined (all costs divided by all premiums) ratio of 78%. Like the all medical malpractice estimated combined ratio of 83%, that suggests strong profitability within this segment. Physicians malpractice loss ratios differ markedly between carriers, ranging from negative values to as high as 67%.

**Specialization among physicians insurers** – The majority of leading physicians insurers in Florida may be said to specialize in insuring physicians malpractice. Some of them specialize specifically in Florida physicians, although most do not.

**Market concentration** – After recent changes, the commonly-used Herfindahl index of market concentration, at 1812, indicates that the physicians malpractice market is moderately concentrated. Since the types of insureds within the other sublines in the National Association of Insurance Commissioners financial database are very diverse, the database does not contain enough information to evaluate the degree of market concentration in the remaining sublines.

**Comparison of Florida rates to those of other states** – a limited scope study contained within the report indicates that in one quarter the examples priced, Florida rates were the highest among all nine states. In most of the remaining examples, Florida ranked second among the nine states reviewed.

**Rate filings** - There were 90 medical malpractice rate filings approved during 2012 (up from 46 in 2011) in Florida. The average rate change for a Florida physician as a result of rate filings resolved in 2012 was a decrease of 0.3%. This was derived by taking the actual rate changes approved in 2012 and weighting them with zero rate change for the companies without approved filings. Some of the specialized areas of medical malpractice also experienced average rate changes in 2012, including:

- Dentists rates: +2.1%
- Professional nurses rates: +28.3% (following +8.5% in 2011)
- Podiatrists, optometrists, chiropractors and similar professionals rates: + 8.8%

**Professional liability claims reporting system data** – During 2012, 2,491 claims were reported as closed (up from 2,461 in 2011); 1,300 claims were closed for females and 1,191 for males. As in previous reports, hospital inpatient facilities were the most commonly reported claims location. As in prior reports, most claims were in the “severe to moderate” category. An estimated \$599 million (29% below 2011) was paid over the lifetime of the claims closed in 2012; \$439 million was paid in damages, the remainder in loss adjustment expenses.

**Historical context** - The Office has continued to monitor the profitability of the medical malpractice insurance market in Florida. Prior to the 2003 legislative changes, the market experienced double-digit annual rate increases, an availability crisis, and had one of the highest defense and cost containment expense ratios in the country.

**General conclusion** - Based on the trends found in this report, it would appear that the 2003 changes to the law have benefited policyholders and the industry, assisted with the solvency of medical malpractice carriers, and directly contributed to a long-term lowering of the defense and cost containment ratios in the State of Florida.

## Purpose and Scope

Section 627.912(6)(b)&(c), Florida Statutes, requires the Office to publish an annual report of the state of the medical malpractice insurance market in Florida. The statute requires the Office to utilize three data resources:

1) The National Association of Insurance Commissioners (NAIC) annual financial statement filings; 2) The closed claims database maintained by the Office; and 3) An analysis of rate filings filed with the Office during the previous year. Specifically:

*(6)(b) The office shall prepare an annual report by October 1 of each year, beginning in 2004, which shall be available on the Internet, which summarizes and analyzes the closed claim reports for medical malpractice filed pursuant to this section and the annual financial reports filed by insurers writing medical malpractice insurance in this state.*

*The report must include an analysis of closed claim reports of prior years, in order to show trends in the frequency and amount of claims payments, the itemization of economic and noneconomic damages, the nature of the errant conduct, and such other information as the office determines is illustrative of the trends in closed claims. The report must also analyze the state of the medical malpractice insurance market in Florida, including an analysis of the financial reports of those insurers with a combined market share of at least 80 percent of the net written premium in the state for medical malpractice for the prior calendar year, including a loss ratio analysis for medical malpractice written in Florida and a profitability analysis of each such insurer. The report shall compare the ratios for medical malpractice in Florida compared to other states, based on financial reports filed with the National Association of Insurance Commissioners and such other information as the office deems relevant.*

*(c) The annual report shall also include a summary of the rate filings for medical malpractice which have been approved by the office for the prior calendar year, including an analysis of the trend of direct and incurred losses as compared to prior years.*

## Background on the Florida Market

Since Florida's population ranks fourth in the country, it would be expected that Florida would represent one of the largest medical malpractice insurance markets. Although data was compiled for all 50 States and Territories (Appendix A), for purposes of comparison, this report compares Florida with other states in the top ten for most medical malpractice premium earned overall for the medical malpractice line of business: New York, California, Pennsylvania, Illinois, New Jersey, Ohio, Texas, Massachusetts and Georgia. The report also compares Florida with other states in that top ten group as regards direct losses incurred, expenses borne, and other key financial criteria.

As part of this report, a few global adjustments to the data were necessary. Since captives of large healthcare chains have a different marketing structure than conventional insurers, they do

different operating characteristics than conventional insurance companies. One large carrier (HCI) primarily covers the risks of its (hospital chain) owner, and its data was removed from the October 2012 version of this report. Another captive belonging to a large hospital chain, The Healthcare Underwriting Company, RRG, was identified in our data validation process this year. Therefore, it was removed as well. The Office was informed that the previous insurance arrangements for the owner of the Healthcare Underwriting Company did not result in substantial premium, so removing this captive's data from this report on 2012 activity should not distort comparisons to 2011 and prior years.

One insurer (Continental Casualty Insurance Company-#7 in overall malpractice premium in our previous report) reported a premium decline from \$15 million of medical malpractice premium reported in 2011 to a negative \$2 reported in 2012. The company reported that the primary reason (\$15 million of impact) for the \$17 million decline was an after-the-fact conversion of full coverage policies sold to a large physician group covering January 2003- March 2012 to large deductible policies. This conversion was made in 2012 and created a \$15 million premium refund. Since the associated expenses, loss development, etc. potentially distorted the NAIC data, the Office elected to use the premium as reported and offer notations where comparisons to 2011 and prior years are likely to be distorted. The company has informed the Office that they expect the 2013 results to more closely mirror 2011, although the full volume of 2011 may not be achieved if the policy mentioned earlier uses a large deductible on an ongoing basis.

A small number of companies that insure chiropractors or podiatrists, but do not appear to insure physicians, have reported premium in the physicians and surgeons subline. Should this premium have been reported inaccurately, the size of the premium is small enough that it does not appear to have materially affected the results.

## **Organization of this Report**

The primary financial data used to construct this report is obtained from the NAIC financial database. However, additional data from the Professional Liability Claims Reporting System (PLCR), internal reviews of rate filing activity, internal reviews of company admissions data, internal "CORE" system data, and the Office's legislative summary was used as well. In that NAIC financial database, extensive information is provided regarding the total financial position of a company across all lines of business. A substantial, but lesser, amount of information is provided for just the medical malpractice line of business. An even lesser amount of information is provided when the scope is restricted to one of the "sublines" in the NAIC database, such as just physicians, just non-physician healthcare professionals, just hospitals, or just non-hospital medical facilities.

The medical malpractice market for physicians is very different from the medical malpractice market for other sublines such as hospitals. Thus, information by subline can be of key interest. Therefore, the first section of this report focuses on the total malpractice market; the second section focuses on the results for just the policies covering physicians; the third on the malpractice market for other healthcare professionals, and so on. Those sections are followed by

an analysis of the data from PLCR. Detailed comparisons of physicians medical malpractice premiums for the nine states where information could be readily obtained and other key fifty state plus U.S. territories data items are in the appendices.

## **Analysis of the Total Medical Malpractice Line of Business**

As mentioned earlier, the first section of this report covers data from all types of medical malpractice coverage combined. The first subsection of that analysis involves comparisons between the leading medical malpractice states.

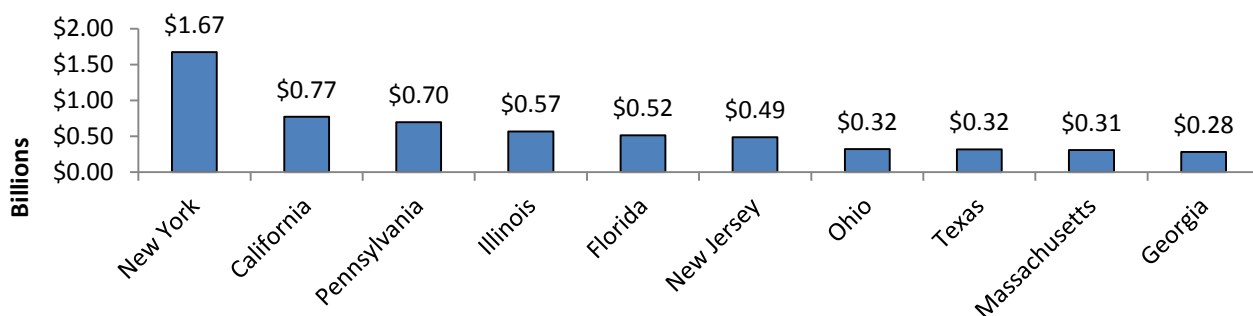
### ***Comparisons to Other Leading States***

Comparative data for the Florida medical malpractice market and that of the top ten states for total malpractice premium follows.

#### **Top Ten States by Medical Malpractice Premium Volume**

Written premium is a commonly used measure of the dollars of sales generated by an insurance company. As the graph below shows, however, there is not a direct 1:1 correlation between state population and total medical malpractice written premium. California, by far the most populous state, is a distant second to New York in the amount of medical malpractice premium earned. Meanwhile, Texas is the second most populous state, but ranks eighth in terms of medical malpractice premium. As mentioned earlier, Florida ranks fourth by population, but fifth within its peer group for malpractice premium.

#### **2012 Top Ten States for Medical Malpractice Direct Written Premium**



*Data from two captive insurers was removed from this analysis and all subsequent charts.*

### Loss and DCC Information for the Top Ten States

The loss ratio is a measure of amount of premium that will be expended on paying claims. It divides the total loss dollars accrued in a calendar year, by an “earned premium” value that adjusts the premium on each policy to match the 12 months of possible loss costs that the policy might have to pay. As such, a high loss ratio would suggest that losses are high in relation to premium. Further, a higher loss ratio would indicate a lower average markup on loss costs on the part of the various insurance companies doing business in a state. Data on the loss ratios of the top ten states, and their loss ratio ranks are shown in the chart below:

#### 2012 All Medical Malpractice Direct Loss Ratios

Written Premium Rank	State	2012 All Medical Malpractice Direct Loss Ratio	Loss Ratio Rank
1	New York	67.2%	1
2	California	37.8%	5
3	Pennsylvania	39.5%	4
4	Illinois	27.5%	8
5	<b>Florida</b>	<b>34.6%</b>	<b>7</b>
6	New Jersey	45.0%	3
7	Ohio	10.1%	10
8	Texas	24.8%	9
9	Massachusetts	46.1%	2
10	Georgia	35.2%	6

Before discussing the results of the chart, a few points about this data should be mentioned. When actuaries and other professionals compute the rates companies charge, they replace this data with data that removes year-to-year fluctuations in estimates of the costs of claims, and reflects the historical rate changes companies have made. As a by-product, those adjustments remove some of the year-to-year volatility in loss data.

New York continues to lead this group, with Massachusetts a distant second. The aggregate direct loss ratio for the Florida market is seventh this year, still fairly low within this peer group. The national average in 2012 for all states and territories was 40.4% – an increase from the 34.8% loss ratio in 2011. Florida’s loss ratio increased considerably from 23.3% to 34.6% in 2012, although it still appears to be in a reasonable range.

However, losses are not the only benefits insureds receive from their policies. Insurance companies are also required to pay for a legal defense of claims. Those additional defense and

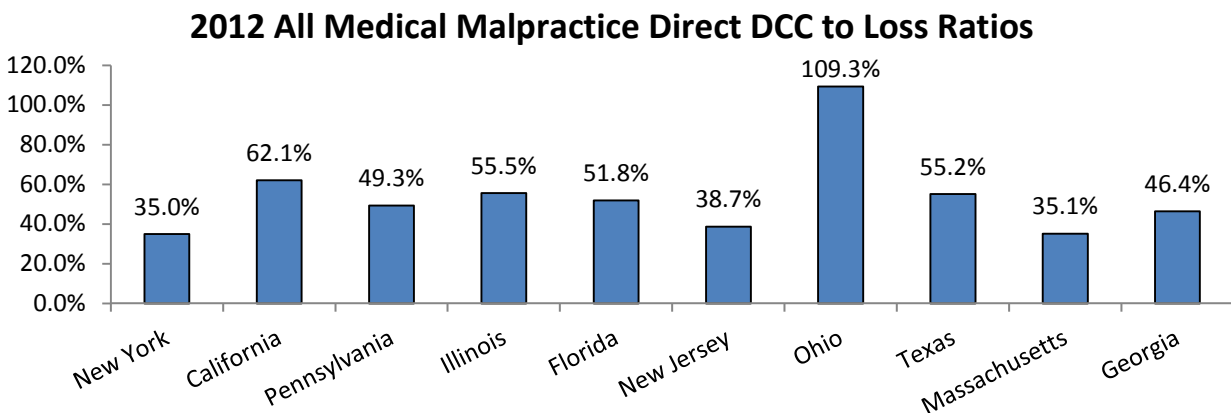
cost containment (DCC) dollars can be substantial and are included with loss in the “loss and DCC” ratios to earned premium shown below.

### 2012 All Medical Malpractice Direct Loss and DCC Ratios

Written Premium Rank	State	2012 All Medical Malpractice Direct Loss and DCC Ratio	Loss & DCC Rank
1	New York	90.7%	1
2	California	61.2%	4
3	Pennsylvania	59.0%	5
4	Illinois	42.8%	8
5	<b>Florida</b>	<b>52.5%</b>	<b>6</b>
6	New Jersey	62.4%	2
7	Ohio	21.0%	10
8	Texas	38.5%	9
9	Massachusetts	62.2%	3
10	Georgia	51.6%	7

The loss and DCC ratio rankings mirror the loss ratio rankings somewhat. New York had the highest loss and DCC ratio among the top ten states in 2012, in this case Pennsylvania was second, and Florida was sixth (up from seventh in 2011).

Alternatively, DCC can be considered as frictional costs associated with the payment of damages to claimants<sup>1</sup>. Following that approach, the following graph shows the ratios of incurred (accrued in a calendar year) DCC to incurred loss:



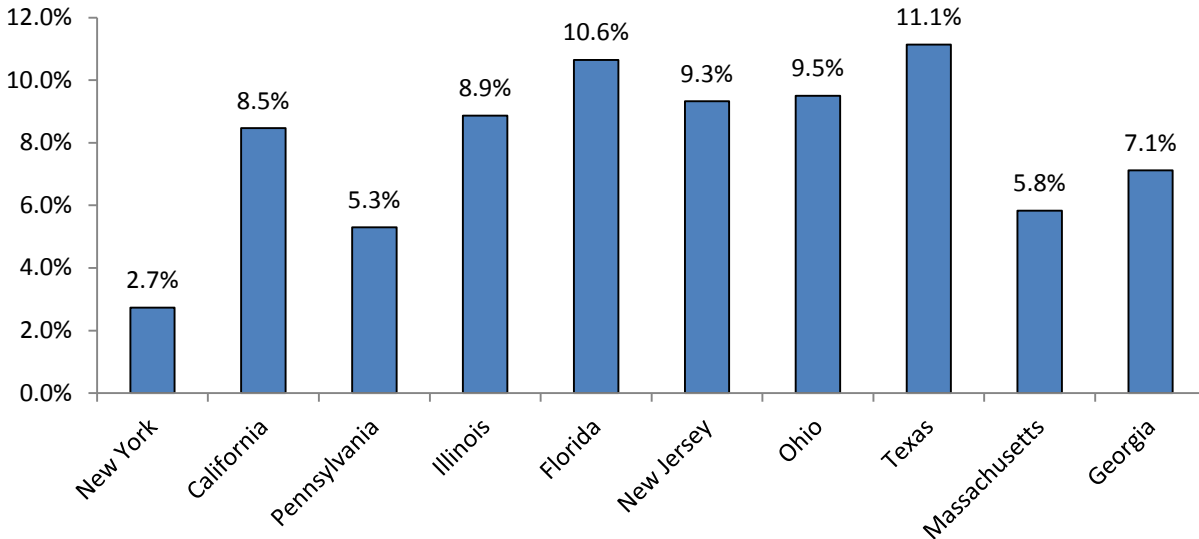
<sup>1</sup> It is important to note that DCC are not the only frictional costs associated with payments to injured parties. In-house or other adjuster fees included in “adjusting and other” expense are also frictional costs. In some analyses, all expenses and profit would be considered as well. The payments made to plaintiff attorneys, plaintiff expert witnesses, etc. are also such frictional costs, although the NAIC database does not break down the loss amounts between the amounts received by the plaintiff and the amounts expended on plaintiff frictional costs.

**Expense Information the for Top Ten States**

While loss and DCC may be considered as the benefits provided under a malpractice policy, the insurance companies also have expenses associated with administering the policy. These are the adjusting and other expenses (AOE) associated with administering claims, the commissions paid to agents to sell policies, state premium taxes, non-commission policy acquisition costs called “other acquisition expense”, and general overhead costs defined as “general expense.” Of course, profit is also a cost paid by the insured, but that will be discussed separately. Detailed breakdowns of commission and taxes by company and state are included in the NAIC financial database. However, the NAIC database AOE, other acquisition, and general expense data is strictly on a countrywide basis. Florida AOE, other acquisition, and general expense for each company were determined by pro-rating countrywide figures using direct malpractice earned premium. In that way, if a state is dominated by (or has a higher-than-average percentage in the mix, by market share, of) companies with high expenses, the state would show a higher-than-average expense ratio. If a state had a high proportion of lower-overhead insurance companies, it would show as a lower expense state. By custom of the business, the commission and taxes are generally related to written premium (in effect, related to sales). AOE, other acquisition, and general expense are generally related to earned premium (relating them to the period when benefits are provided).

The largest expense provision related to written premiums is commission. The average commission ratios for the top ten states (by direct written premium) are shown below:

**2012 All Medical Malpractice Direct Commission to Written Premium Ratios**

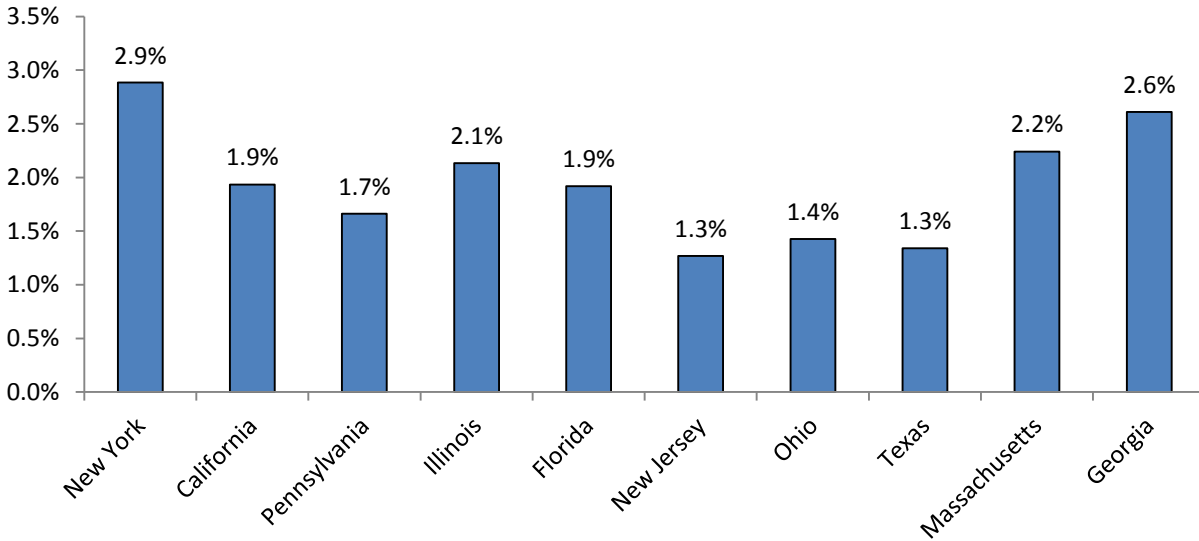


Florida is among the states with the higher commission ratios (second highest), although the commission is nearly unchanged from last year’s 10.2%.



Ratios of premium tax to written premium for the top ten states follow:

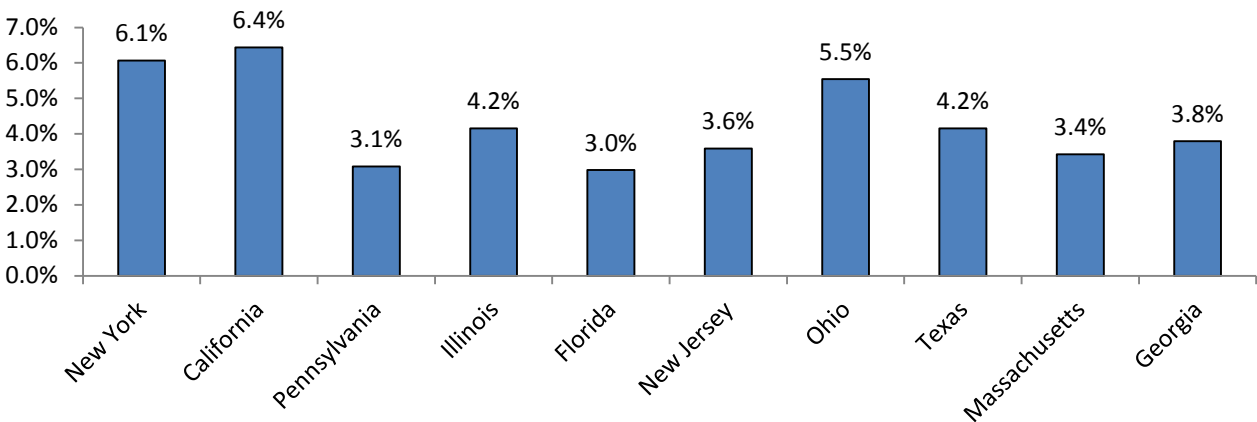
### 2012 All Medical Malpractice Premium Tax to Direct Written Premium Ratios



Differences in premium tax amounts are mostly minimal, but Florida's premium tax expense has increased from 1.3% in 2011 to 1.9% in 2012.

The commission and premium tax expense provisions shown on the prior page are based on actual state and company data. The next step involves the expenses that are first prorated to states within each company (using direct earned premium), and then expressed as a ratio to the total direct medical malpractice earned premium in each state.

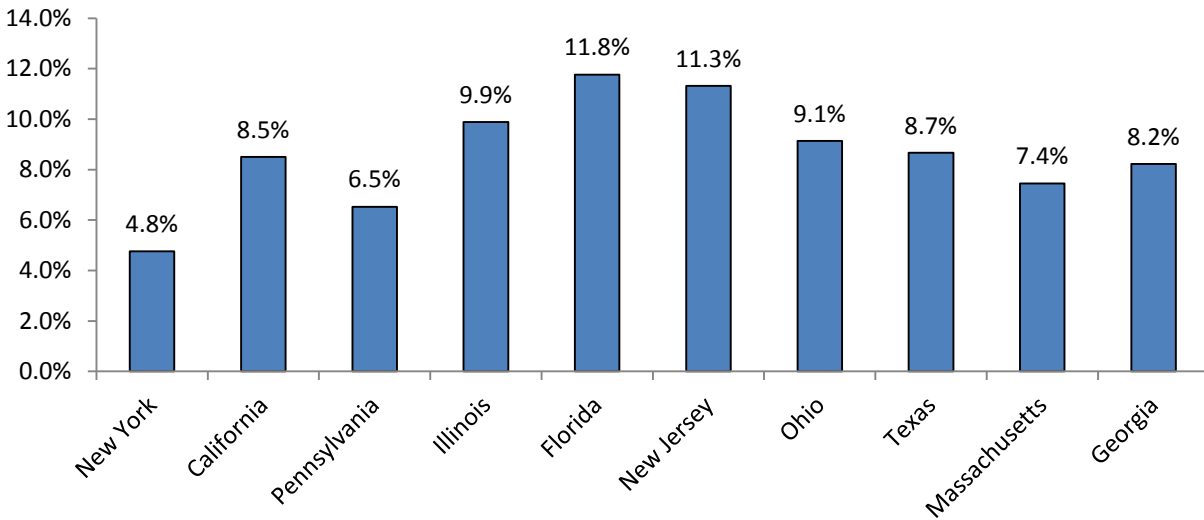
### 2012 All Medical Malpractice AOE to Direct Earned Premium Ratios



While last year Florida had a midrange AOE expense ratio, in 2012 Florida had the lowest AOE expense ratio within the peer group.

General expense is often related to written premium. However, the NAIC data source from which the data was drawn is based on earned premium, and relating general expense to earned premium is sometimes done as well. The corresponding general expense ratios by state are shown below:

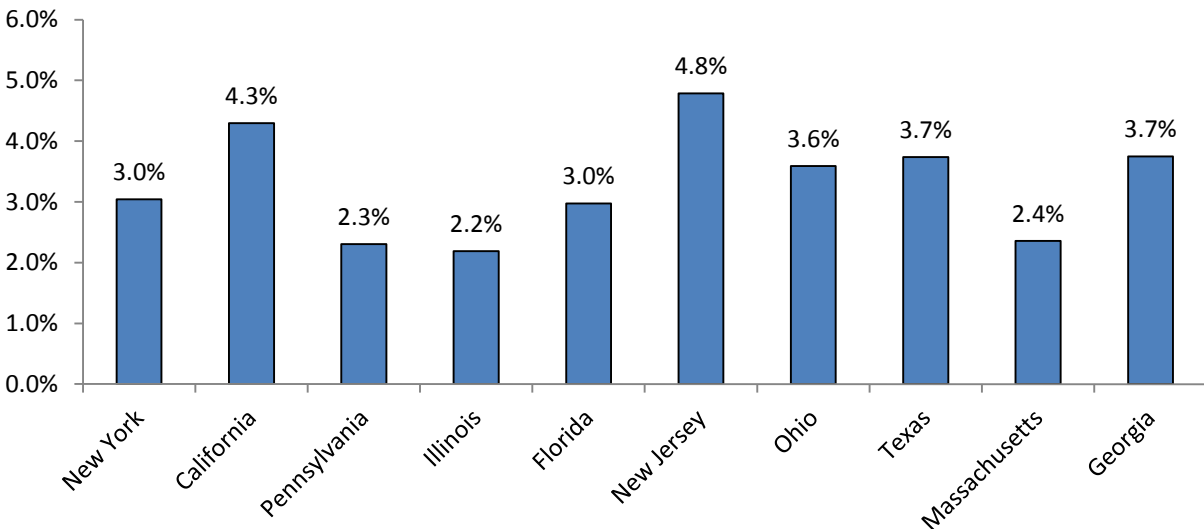
### 2012 All Medical Malpractice General Expense to Direct Earned Premium Ratios



Florida has the highest general expense ratio amongst the states, as it did in 2011.

Other acquisition expense is also related to earned premium due to the way it is stored in the NAIC database. The other acquisition expense ratios are shown in the following graph:

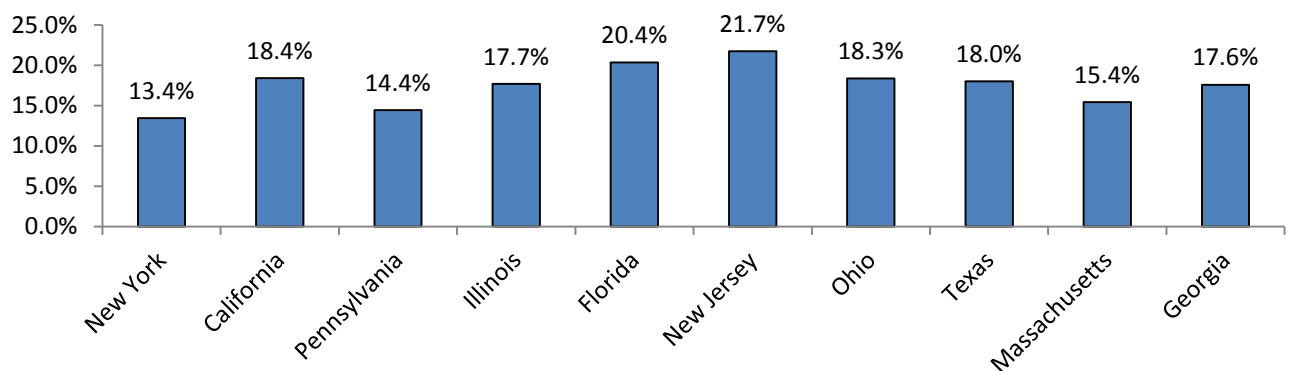
### 2012 All Medical Malpractice Other Acquisition Expense to Direct Earned Premium Ratios



The ratios are typically not as high as the general expense ratios. Although Florida's other acquisition expense ratio was midrange in the peer group (tied for sixth), recall that Florida is near the upper end of commission expense so that Florida's total acquisition expense (commission and other acquisition combined) ratio was high (second) within the peer group.

In calculating the overall expense ratio, the industry standard approach involves the combination of the commission, tax, general expense, and other acquisition ratios (and excludes AOE since the AOE ratio relates better to the amount of claims to be adjusted rather than premium). That ratio is shown below:

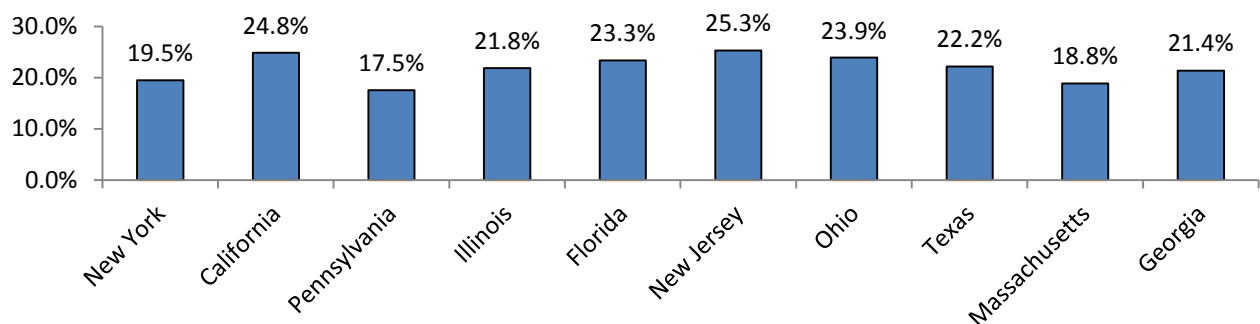
### 2012 All Medical Malpractice Standard (No AOE) Expense Ratios



A review of the chart shows that Florida has the second highest standard expense ratio among the top ten states, while New York has the lowest.

When AOE expense is added to the above expense ratios, Florida has only the fourth highest expenses of the top 10 states. Of course, though, since AOE relates to claim volume, this may be distorted by Florida's recent low loss levels.

### 2012 All Medical Malpractice Expense Ratios (Inclusive of AOE)

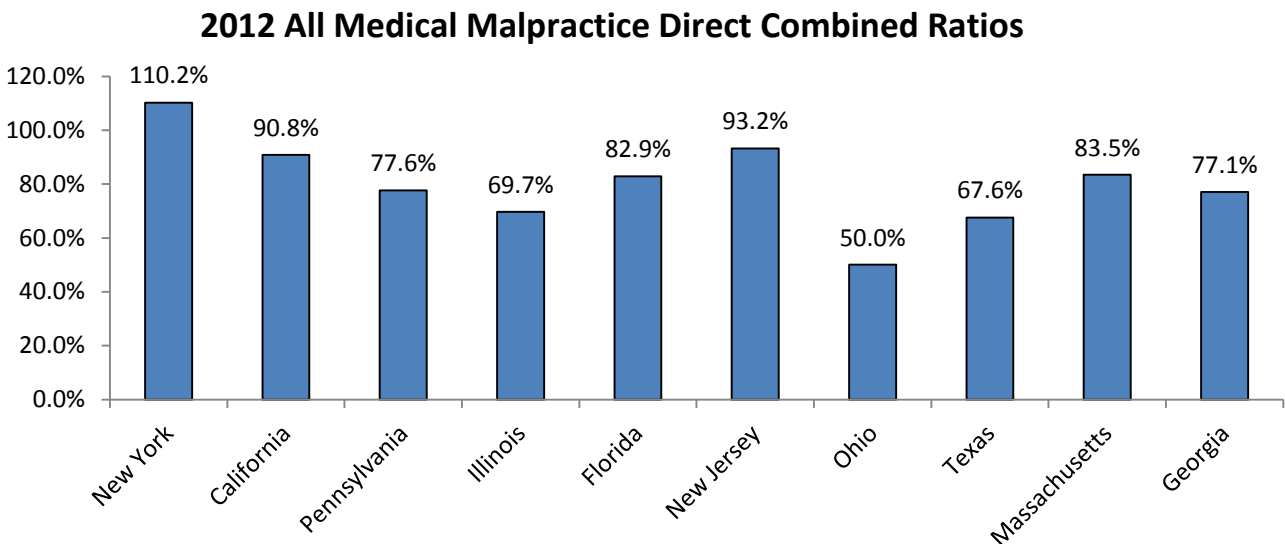


### Profitability Measures for Top Ten States

The standard gauge of underwriting profitability used in the insurance industry is the combined ratio. In this case the loss and both forms of claims management expense (DCC and AOE) are related to earned premium, general expense and other acquisition are related to earned premium for reasons discussed previously and the commission and tax are related to written premium. The sum of the loss and DCC and expense ratios form the combined ratio. A ratio below one indicates that the total costs are less than the premiums are paid, generating an underwriting profit. If the ratio is above one, an underwriting loss is generated. However, since investment income may offset all or part of an underwriting loss, the fact that a company is running an underwriting loss does not mean that the company is unprofitable. Generally, though, loss ratios well below one suggest a very high degree of profitability. Consequently, they are associated with high financial solvency and, theoretically, should lead to higher competition to enhance the value per dollar spent ratio for insureds. Loss ratios well above one are consistent with unprofitability and could lead to a problem with too few insurers offering coverage to meet the needs of all the healthcare providers.

The majority of the data available in the NAIC financial database is “calendar year” data. This represents the amounts associated with the experience that occurs during the calendar year regardless of when the policy was written or when the claim occurred or was filed. For example, calendar year losses are determined by adding the losses paid during the year and the loss reserve at the end of the year, then subtracting the loss reserve at the beginning of the year. Some types of volatility in the loss reserves will distort calendar year loss values. When the calendar year combined ratio of a state is taken as a bellwether, one should understand that a deeper actuarial analysis of the individual state data for each company (which is not included in the NAIC database) may be needed to fully understand medical malpractice profitability in the state.

The combined ratios for the top ten states are shown below:



The chart on the previous page shows that the overall medical malpractice line is generating very healthy profits in all the top ten states but New York. Florida is roughly in the middle of the peer group with an 83% combined ratio.

### ***Analysis of Florida Malpractice Results for Leading Carriers in Overall Medical Malpractice Line in Florida***

Section (6)(b) of Section 627.912, Florida Statutes, requires that this report include a financial analysis of the companies that comprise 80% of the medical malpractice *net written premium* in Florida. Financial information is reported by insurers in their statutory annual statements on both an aggregate, nationwide basis, and on a by-state, by-line of business basis. Net written premiums are reported in the annual statements in Schedule P Part 1F Sections 1 & 2. However, these premiums are aggregated on a nationwide basis and net written premiums by state are not included in the database. As such, the Office has utilized the direct written premiums by state that are included.

State specific data is primarily limited to information on page 19 of the annual statement, commonly referred to as the “state page” or “statutory page 14.” Data reported on the Florida market by line of business includes:

- Direct Premiums Written
- Direct Premiums Earned
- Dividends to Policyholders
- Direct Losses
- Direct Defense and Cost Containment (DCC)
- Commissions & Brokerage Expenses
- Taxes, Licenses and Fees

The 2004 Annual Report, prepared by Deloitte, provided a financial analysis of insurers representing 80% of the market on a *direct written premium* basis as a surrogate for net written premium. The Office repeated this analysis for each of the subsequent annual reports. Eighty percent (80%) of the medical malpractice on a direct written premium basis should be a reasonable approximation of 80% of the market measured on a net written premium basis, although the analysis in this report may include a few companies that cede significant portions of their premium to other companies.

Due to the limited information on the reinsurance premiums, losses and expense ceded that is contained in the annual statement, the widely varying expense treatments in different reinsurance treaties, and the difficulties insurance companies may have in estimating ceded loss “reserves”, it is not possible to reliably estimate net of reinsurance values at anything other than the all-lines, all-states level for a company. Therefore a substitution, from “net” (reflecting reinsurance), to direct (not reflecting the impact of reinsurance) will be made throughout almost the entirety of this report. When net values are shown, the fact that the values are net will be stated explicitly.

Another distinction typically made in the insurance marketplace is between medical malpractice written for individuals (usually doctors), and those written for institutions (usually hospitals). The legislative intent for the reporting requirements appears to be aimed at medical malpractice availability and rates for individual doctors. However, large portions of the NAIC annual statement reporting requirements do not contemplate a distinction of hospital insurance versus physician insurance versus other types of malpractice insurance. Various types of care providers are aggregated into the “Medical Malpractice Insurance” category. Later in the report, analyses of medical malpractice insurance data limited to just physicians, just other healthcare professionals, just hospitals, and just other healthcare facilities are performed using data from the “Supplement A to Schedule T” included in the NAIC database.

While portions of the annual statement are limited to medical malpractice, the balance sheet, income statement, cash flow statement and investment information lump data from all lines of business together. Therefore, certain information must either be analyzed on all lines combined basis or allocated between lines or states.

### *Leading Medical Malpractice Carriers in Florida and Their Loss & DCC Ratios*

With those caveats, the 2012 direct written premium of the companies that comprise 80% of the total medical malpractice insurance market in Florida is shown below (highlighted rows indicate insurers that are domiciled in Florida in this exhibit and other exhibits in this report):

#### **2012 Florida Written Premium for the Top Total Malpractice Carriers**

<b>Premium Rank</b>	<b>Company</b>	<b>Direct Premium Written</b>	<b>Market Share</b>	<b>Cumulative Share</b>
<b>1</b>	<b>Doctors Company Group</b>	\$144,145,772	27.9%	27.9%
	<b>First Professionals Insurance Company</b>	\$98,677,086		
	<b>Doctors Company, an Interinsurance Exchange</b>	\$40,735,174		
	<b>Anesthesiologists Professional Assurance Company</b>	\$4,733,512		
<b>2</b>	<b>MAG Mutual Insurance Company</b>	\$51,311,111	9.9%	37.9%
<b>3</b>	<b>Florida Doctors Insurance Company</b>	\$31,514,861	6.1%	44.0%
<b>4</b>	<b>The Medical Protective Company</b>	\$26,763,870	5.2%	49.2%
<b>5</b>	<b>ProAssurance Casualty Company</b>	\$21,633,335	4.2%	53.4%
<b>6</b>	<b>Lexington Insurance Company</b>	\$11,817,686	2.3%	55.6%
<b>7</b>	<b>American Casualty Company of Reading, Pennsylvania</b>	\$11,296,457	2.2%	57.8%
<b>8</b>	<b>Columbia Casualty Company</b>	\$8,687,785	1.7%	59.5%
<b>9</b>	<b>Evanston Insurance Company</b>	\$8,561,354	1.7%	61.2%
<b>10</b>	<b>Darwin Select Insurance Company</b>	\$8,537,568	1.7%	62.8%
<b>11</b>	<b>MedMal Direct Insurance Company</b>	\$8,120,879	1.6%	64.4%

Premium Rank	Company	Direct Premium Written	Market Share	Cumulative Share
12	Samaritan Risk Retention Group, Inc.	\$8,041,677	1.6%	66.0%
13	Podiatry Insurance Company of America	\$6,778,741	1.3%	67.3%
14	Southwest Physicians Risk Retention Group, Inc.	\$6,469,273	1.3%	68.5%
15	Physicians Insurance Company	\$6,400,363	1.2%	69.8%
16	Healthcare Underwriters Group of Florida	\$6,374,905	1.2%	71.0%
17	Admiral Insurance Company	\$6,165,734	1.2%	72.2%
18	National Union Fire Insurance Company of Pittsburg, PA	\$6,043,285	1.2%	73.4%
19	Ophthalmic Mutual Insurance Company RRG	\$5,929,504	1.1%	74.5%
20	Homeland Insurance Company of New York	\$5,889,117	1.1%	75.7%
21	Physicians Professional Liability Risk Retention Group, Inc.	\$5,817,241	1.1%	76.8%
22	Lancet Indemnity RRG, Inc.	\$5,816,385	1.1%	77.9%
23	Applied Medico-Legal Solutions Risk Retention Group, Inc.	\$5,775,059	1.1%	79.0%
24	OMS National Insurance Company RRG	\$5,536,081	1.1%	80.1%
25	Nautilus Insurance Company	\$5,456,910	1.1%	81.2%
<b>Top 80% Total</b>		<b>\$414,151,441</b>		
<b>Total Florida Market</b>		<b>\$516,114,686</b>		

In terms of organizational structure, nine of the sample companies are admitted Property & Casualty insurers, seven are surplus lines companies (#6 Lexington, #8 Columbia Casualty, #9 Evanston, #10 Darwin Select, #17 Admiral, #20 Homeland, and #25 Nautilus). There were two reciprocal-type insurers (#1 Doctor's Company and #16 Healthcare Underwriters of FL), and seven Risk Retention Groups (#12 Samaritan, #14 Southwest Physicians, #19 Ophthalmic Mutual, #21 Physicians Professional Liability, #22 Lancet, #23 Applied Medico, and #24 OMS National).

The list shows some differences and similarities in the market when compared to the sample firms in the 2011 Annual Report. This year, achieving the 80% market share requirement required the inclusion of 25 insurers, with four of the insurers being domiciled in Florida. This differs slightly from the number of companies required in prior annual reports:

- 25 insurers for the 2012 report (4 remained domiciled in Florida after the Doctors Company merger)
- 24 insurers for the 2011 report (5 were domiciled in Florida);
- 22 insurers for the 2010 report (5 were domiciled in Florida);
- 22 insurers for the 2009 report (5 were domiciled in Florida);
- 22 insurers for the 2008 report (6 were domiciled in Florida);
- 17 insurers for the 2007 report (6 were domiciled in Florida);

- 15 insurers for the 2006 report (3 were domiciled in Florida);
- 12 insurers for the 2005 report (2 were domiciled in Florida); and
- 11 insurers for the 2004 report (2 were domiciled in Florida).

Another finding is that the total medical malpractice insurance written premium for the state of Florida as reported decreased significantly (5.5%) to \$516 million in 2012. However, as explained earlier, this value is distorted by the approximately \$17 million of special adjustments made by Continental Casualty. If those adjustments were not made by the company, the premium would have been \$533 million, representing a 2.4% decrease over 2011. Either value continues the general pattern of decreases since 2004. The total gross Florida medical malpractice insurance premiums for prior reports are:

- 2004 - \$860 million;
- 2005 - \$850 million;
- 2006 - \$847 million;
- 2007 - \$663 million;
- 2008 - \$596 million;
- 2009 - \$550 million;
- 2010 - \$559 million; and
- 2011 - \$546 million.

The long-term pattern represents a substantial decrease (40%, or 38% when the Continental Casualty correction is removed) in the overall medical malpractice premium reported in Florida since 2004. This could be partially attributable to the lowering of rates, however, it may also be due to new arrangements by physicians including the use of individual bonding, purchasing malpractice insurance through hospitals/employers as well as utilization of self-insurance funds, or other non-traditional insurance mechanisms.

The loss experience of those leading carriers in Florida is relevant as well. It is shown in the table below:

### **2012 Florida Earned Premium, Loss, and Loss & DCC Experience for the Top Total Malpractice Carriers**

<b>Premium Rank</b>	<b>Company</b>	<b>Direct Premium Earned</b>	<b>Loss Ratio</b>	<b>Loss&amp;DCC Ratio</b>
<b>1</b>	<b>Doctors Company Group</b>	\$149,304,394	39.0%	60.6%
	<b>First Professionals Insurance Company</b>	\$100,857,189	54.0%	72.5%
	<b>Doctors Company, an Interinsurance Exchange</b>	\$43,336,913	3.2%	38.8%
	<b>Anesthesiologists Professional Assurance Company</b>	\$5,110,292	45.6%	10.1%
<b>2</b>	<b>MAG Mutual Insurance Company</b>	\$52,127,565	65.3%	99.2%
<b>3</b>	<b>Florida Doctors Insurance Company</b>	\$31,260,998	50.7%	58.1%



Premium Rank	Company	Direct Premium Earned	Loss Ratio	Loss&DCC Ratio
4	The Medical Protective Company	\$23,969,786	41.6%	46.6%
5	ProAssurance Casualty Company	\$24,125,030	-56.2%	-60.5%
6	Lexington Insurance Company	\$12,751,466	118.6%	153.9%
7	American Casualty Company of Reading, Pennsylvania	\$11,273,527	66.5%	83.9%
8	Columbia Casualty Company	\$9,752,954	63.4%	85.3%
9	Evanston Insurance Company	\$9,938,259	87.4%	77.7%
10	Darwin Select Insurance Company	\$8,977,266	1.6%	4.5%
11	MedMal Direct Insurance Company	\$6,570,193	42.9%	62.0%
12	Samaritan Risk Retention Group, Inc.	\$7,056,328	28.6%	45.9%
13	Podiatry Insurance Company of America	\$6,773,154	39.7%	63.7%
14	Southwest Physicians Risk Retention Group, Inc.	\$6,469,273	45.2%	62.2%
15	Physicians Insurance Company	\$6,727,665	43.0%	71.8%
16	Healthcare Underwriters Group of Florida	\$6,779,004	3.9%	45.4%
17	Admiral Insurance Company	\$6,258,418	52.2%	72.4%
18	National Union Fire Insurance Company of Pittsburg, PA	\$6,242,556	7.7%	-29.1%
19	Ophthalmic Mutual Insurance Company RRG	\$5,741,236	14.4%	22.3%
20	Homeland Insurance Company of New York	\$4,058,578	34.6%	51.1%
21	Physicians Professional Liability Risk Retention Group, Inc.	\$6,141,583	24.5%	44.5%
22	Lancet Indemnity RRG, Inc.	\$5,768,074	32.0%	82.8%
23	Applied Medico-Legal Solutions Risk Retention Group, Inc.	\$6,078,832	0.3%	31.1%
24	OMS National Insurance Company RRG	\$5,326,760	73.2%	94.2%
25	Nautilus Insurance Company	\$5,153,030	44.6%	68.8%
<b>Top 80% Total</b>		<b>\$424,625,929</b>	<b>40.0%</b>	<b>59.3%</b>
<b>Total Florida Market</b>		<b>\$520,286,156</b>	<b>34.6%</b>	<b>52.5%</b>

As the negative loss ratios show even carriers with as much as \$24 million in annual earned premium in a single state may exhibit significant fluctuations in loss ratios within the state. However, noting that in 2011 the Florida all companies loss ratio was 23%, and the 2011 Florida loss and DCC ratio was 40%, one may see that the overall state results are more stable than those of individual companies, but still subject to substantial changes from year to year.

The ratios above are “calendar year” values. As such they represent all the loss (or loss and DCC) amounts recorded during 2012. The actual claims reported in 2012 under claims made policies (so-called “report year”) are a portion of the calendar year result. Those represent the true costs associated with the policies earning in 2012. However, “development”, or increases and decreases in the insurers’ cost estimates for claims from older report years, is also included

in the calendar year results. Because of those distortions, actuaries typically perform a detailed analysis of supplemental data and prepare report year projected losses and DCC. Simplified estimates of the effects of changes in prior year costs for just Florida medical malpractice may be made using the “One Year Development Percentage” data for all lines and states that is shown in the annual statement. In the following chart, the development is allocated to just the Florida medical malpractice segment according to the reserves held for loss and DCC at the beginning of the year.

### **Estimates of Report Year 2012 Loss and DCC Ratios of Top Four Malpractice Writers Using All-Lines Countrywide Correction Factor**

Company	One-Year Reserve Development as % of 2011 Reserves	Estimated Reserve Development	Adjusted Loss & DCC Ratio
Doctors Company Group	-5.1%	\$(40,879,039)	87.9%
First Professionals Insurance Company	-1.7%	\$(3,448,207)	75.9%
Doctors Company, an Interinsurance Exchange	-6.3%	\$(37,115,104)	124.4%
Anesthesiologists Professional Assurance Company	-15.0%	\$(315,728)	16.3%
MAG Mutual Insurance Company	-9.8%	\$(15,016,373)	128.0%
Florida Doctors Insurance Company	-10.9%	\$(3,885,525)	70.5%
The Medical Protective Company	8.0%	\$5,759,641	22.6%

Florida Doctors had the largest percentage impact from prior year development; but the amount of reserves it held is lower relative to earned premium (likely because it is a younger company than the others). Hence, the Doctors Company group has the largest correction and the Doctors Company and MAG Mutual both have roughly a 30% change in the loss ratio when this reserve correction is used. This year, the correction generally produces somewhat higher loss ratios than the calendar year loss ratios.

#### **Expense Information for Leading Medical Malpractice Carriers in Florida**

The language of section 627.912, Florida Statutes, clearly suggests that information on the profitability of medical malpractice companies doing business in Florida is desired. Specific information on the profitability of just medical malpractice, strictly within the state of Florida would be desirable. However, certain expense information (AOE, general expense, and other acquisition expense) is only routinely reported on a countrywide basis. While only reported on a countrywide basis, countrywide expense data for the medical malpractice line is reported in the NAIC financial database. For other key financial information (committed/invested surplus, federal taxes paid) is only an all-lines all-states summary for each company is reported in the NAIC database. Therefore, the profitability of medical malpractice within Florida for each of the top companies has been determined by using Florida-specific medical malpractice information wherever possible, and appropriate allocations were made for the other items.

The table below contains the Florida-specific medical malpractice commission and tax ratios for the top 80% of the Florida market.

### **2012 Direct Florida Medical Malpractice Commission and Premium Tax Ratios for the Top Total Malpractice Carriers**

<b>Premium Rank</b>	<b>Company</b>	<b>Commission to Direct Written Premium</b>	<b>Tax to Direct Written Premium</b>
1	Doctors Company Group	9.1%	1.0%
	First Professionals Insurance Company	9.8%	1.1%
	Doctors Company, an Interinsurance Exchange	7.2%	0.7%
	Anesthesiologists Professional Assurance Company	9.4%	2.4%
2	MAG Mutual Insurance Company	8.5%	4.1%
3	Florida Doctors Insurance Company	10.6%	1.2%
4	The Medical Protective Company	11.4%	2.4%
5	ProAssurance Casualty Company	0.2%	8.0%
6	Lexington Insurance Company	8.3%	0.0%
7	American Casualty Company of Reading, Pennsylvania	38.3%	1.0%
8	Columbia Casualty Company	10.6%	0.0%
9	Evanston Insurance Company	25.9%	0.1%
10	Darwin Select Insurance Company	26.5%	0.0%
11	MedMal Direct Insurance Company	0.0%	2.5%
12	Samaritan Risk Retention Group, Inc.	5.3%	0.4%
13	Podiatry Insurance Company of America	0.0%	2.3%
14	Southwest Physicians Risk Retention Group, Inc.	0.0%	5.0%
15	Physicians Insurance Company	8.8%	1.8%
16	Healthcare Underwriters Group of Florida	8.5%	2.8%
17	Admiral Insurance Company	15.8%	0.0%
18	National Union Fire Insurance Company of Pittsburg, PA	20.8%	2.7%
19	Ophthalmic Mutual Insurance Company RRG	0.0%	0.2%
20	Homeland Insurance Company of New York	12.1%	0.0%
21	Physicians Professional Liability Risk Retention Group, Inc.	0.0%	4.9%
22	Lancet Indemnity RRG, Inc.	8.5%	0.1%

Premium Rank	Company	Commission to Direct Written Premium	Tax to Direct Written Premium
23	Applied Medico-Legal Solutions Risk Retention Group, Inc.	18.4%	5.0%
24	OMS National Insurance Company RRG	6.0%	0.0%
25	Nautilus Insurance Company	16.4%	0.1%

The ratios fluctuate widely, due in part to differences in sales strategies. The tax ratios also show significant fluctuations between companies, possibly due to differences in the types of tax that companies categorize as premium tax within the annual statement. Further, the presence of reciprocal taxes affects non-domestic insurer tax rates.

For the other categories of expense, it is necessary to use companies' countrywide ratios to direct earned premium (as contained in the NAIC database).

### 2012 Direct Countrywide Medical Malpractice AOE, General, and Other Acquisition Ratios for the Top Total Malpractice Carriers

Premium Rank	Company	AOE To Direct Earned Premium	General Exp Ratio	Other Acq Exp Ratio
1	Doctors Company Group	4.3%	15.6%	0.5%
	First Professionals Insurance Company	4.3%	18.7%	0.0%
	Doctors Company, an Interinsurance Exchange	4.6%	8.9%	1.8%
	Anesthesiologists Professional Assurance Company	2.4%	10.7%	0.0%
2	MAG Mutual Insurance Company	3.2%	10.1%	3.3%
3	Florida Doctors Insurance Company	-0.4%	21.6%	0.0%
4	The Medical Protective Company	3.8%	9.0%	3.3%
5	ProAssurance Casualty Company	12.2%	11.0%	2.5%
6	Lexington Insurance Company	5.2%	4.1%	4.6%
7	American Casualty Company of Reading, Pennsylvania	5.1%	4.3%	0.9%
8	Columbia Casualty Company	3.8%	7.7%	5.7%
9	Evanston Insurance Company	2.4%	19.3%	0.2%
10	Darwin Select Insurance Company	0.5%	0.0%	0.0%
11	MedMal Direct Insurance Company	1.6%	43.3%	4.4%
12	Samaritan Risk Retention Group, Inc.	0.0%	5.5%	0.0%
13	Podiatry Insurance Company of America	4.3%	0.1%	20.3%
14	Southwest Physicians Risk Retention Group, Inc.	1.2%	0.9%	1.0%

Premium Rank	Company	AOE To Direct Earned Premium	General Exp Ratio	Other Acq Exp Ratio
15	Physicians Insurance Company	2.1%	16.8%	10.5%
16	Healthcare Underwriters Group of Florida	6.5%	24.0%	8.9%
17	Admiral Insurance Company	4.8%	6.4%	7.2%
18	National Union Fire Insurance Company of Pittsburg, PA	-1.2%	4.0%	6.4%
19	Ophthalmic Mutual Insurance Company RRG	4.6%	11.9%	9.9%
20	Homeland Insurance Company of New York	3.7%	16.9%	1.2%
21	Physicians Professional Liability Risk Retention Group, Inc.	0.0%	16.2%	0.0%
22	Lancet Indemnity RRG, Inc.	3.1%	9.0%	10.7%
23	Applied Medico-Legal Solutions Risk Retention Group, Inc.	0.0%	0.0%	0.0%
24	OMS National Insurance Company RRG	2.7%	13.7%	2.6%
25	Nautilus Insurance Company	2.4%	3.2%	2.1%

There are wide fluctuations in expense ratios from carrier, some stemming from operational efficiencies, some stemming from assignment of other acquisition expense to the general expense category. Further, some carriers with very low ratios in this chart have very high commissions in the previous chart. Those illustrate the rationale of showing the total expense ratios by state.

To provide a more complete comparison, the total non-loss related direct expense ratios (using the mixed Florida and countrywide data presented earlier) of the top medical malpractice carriers in Florida are shown below:

### 2012 Direct Estimated Overall Non-AOE Expense Ratios for the Top Total Malpractice Carriers

Premium Rank	Company	Combined Non-AOE Expense Ratio	Expense Rank
1	Doctors Company Group	26.2%	12
	First Professionals Insurance Company	29.6%	
	Doctors Company, an Interinsurance Exchange	18.6%	
	Anesthesiologists Professional Assurance Company	22.5%	
2	MAG Mutual Insurance Company	26.1%	14

Premium Rank	Company	Combined Non-AOE Expense Ratio	Expense Rank
3	Florida Doctors Insurance Company	33.3%	7
4	The Medical Protective Company	26.2%	13
5	ProAssurance Casualty Company	21.7%	21
6	Lexington Insurance Company	17.0%	23
7	American Casualty Company of Reading, Pennsylvania	44.5%	3
8	Columbia Casualty Company	24.0%	15
9	Evanston Insurance Company	45.6%	2
10	Darwin Select Insurance Company	26.6%	11
11	MedMal Direct Insurance Company	50.2%	1
12	Samaritan Risk Retention Group, Inc.	11.2%	24
13	Podiatry Insurance Company of America	22.7%	17
14	Southwest Physicians Risk Retention Group, Inc.	6.9%	25
15	Physicians Insurance Company	37.9%	5
16	Healthcare Underwriters Group of Florida	44.1%	4
17	Admiral Insurance Company	29.4%	9
18	National Union Fire Insurance Company of Pittsburg, PA	33.9%	6
19	Ophthalmic Mutual Insurance Company RRG	22.0%	19
20	Homeland Insurance Company of New York	30.2%	8
21	Physicians Professional Liability Risk Retention Group, Inc.	21.2%	22
22	Lancet Indemnity RRG, Inc.	28.4%	10
23	Applied Medico-Legal Solutions Risk Retention Group, Inc.	23.4%	16
24	OMS National Insurance Company RRG	22.2%	18
25	Nautilus Insurance Company	21.8%	20

While the differences are not as pronounced as in some of the individual expense component analyses, these ratios still range from as low<sup>2</sup> as 7% to a high of 50%. Among the top five carriers, one has an expense ratio above 30%, while the remaining four all have ratios in a range between 22% and 26%.

### **Profitability of Leading Medical Malpractice Carriers in Florida**

As with the analysis of the medical malpractice line across different states, this report includes (consistent with the general guidance provided in the law) estimates of the profitability of medical malpractice in Florida. Specifically, it will be estimated for each of the carriers making

<sup>2</sup> An expense ratio of 7% is very unusual since some expenses are needed to administer policies. Exactly what entity pays those costs for Southwest Physicians RRG or how they are funded is not known.

up the top 80% of the Florida market. Exact information on the profitability of just medical malpractice in just Florida is not included in the NAIC financial database. Further, the calendar year loss ratios may be distorted by volatility in the loss reserves. However, the loss, DCC, commission, and tax information that is included in the NAIC database may be combined with reasonable allocations of the remaining quantities. As a first step, the Florida loss and DCC ratios may be added with the AOE and expense ratios shown above to produce estimated combined ratios. The results are shown in the table below:

### **2012 Direct Estimated Florida Malpractice Combined Ratios for the Top Total Florida Malpractice Carriers**

<b>Premium Rank</b>	<b>Company</b>	<b>Combined Ratio</b>
1	Doctors Company Group	91.1%
	First Professionals Insurance Company	106.4%
	Doctors Company, an Interinsurance Exchange	62.0%
	Anesthesiologists Professional Assurance Company	35.0%
2	MAG Mutual Insurance Company	128.6%
3	Florida Doctors Insurance Company	91.1%
4	The Medical Protective Company	76.6%
5	ProAssurance Casualty Company	-26.6%
6	Lexington Insurance Company	176.2%
7	American Casualty Company of Reading, Pennsylvania	133.5%
8	Columbia Casualty Company	113.1%
9	Evanston Insurance Company	125.7%
10	Darwin Select Insurance Company	31.6%
11	MedMal Direct Insurance Company	113.8%
12	Samaritan Risk Retention Group, Inc.	57.1%
13	Podiatry Insurance Company of America	90.8%
14	Southwest Physicians Risk Retention Group, Inc.	70.3%
15	Physicians Insurance Company	111.8%
16	Healthcare Underwriters Group of Florida	96.0%
17	Admiral Insurance Company	106.5%
18	National Union Fire Insurance Company of Pittsburg, PA	3.5%
19	Ophthalmic Mutual Insurance Company RRG	48.9%
20	Homeland Insurance Company of New York	85.0%
21	Physicians Professional Liability Risk Retention Group, Inc.	65.7%
22	Lancet Indemnity RRG, Inc.	114.2%

Premium Rank	Company	Combined Ratio
23	Applied Medico-Legal Solutions Risk Retention Group, Inc.	54.6%
24	OMS National Insurance Company RRG	119.1%
25	Nautilus Insurance Company	93.0%

There is a very broad range of different combined ratios among the top Florida malpractice carriers. Ten show combined ratios over 100%, with five showing combined ratios over 115%. Reserving complications could complicate this, but the 2011 year generated five companies with combined ratios over 100%, three of which were within a close band around 115%. Giving deference to the various caveats arising from the data, this does suggest some deterioration in combined ratios since 2011.

As with the loss and DCC ratios, these ratios are subject to potential distortions due to development on older years. Adding the expense estimates from this section to the loss and DCC ratios that were indirectly adjusted to remove development on prior years yields the following table:

#### **Estimates of 2012 Florida Malpractice Combined Ratios of Top Four Malpractice Writers Using All-Lines Countrywide Correction Factor for Development on Older Years**

Company	Adjusted Combined Ratio
Doctors Company Group	119.0%
First Professionals Insurance Company	109.8%
Doctors Company, an Interinsurance Exchange	147.6%
Anesthesiologists Professional Assurance Company	40.3%
MAG Mutual Insurance Company	157.4%
Florida Doctors Insurance Company	103.5%
The Medical Protective Company	52.6%

These ratios show mixed results from carrier to carrier, although the primary deterioration relative to the 2011 results is that MAG Mutual's combined ratio rose from 80.3% in last year's analysis to 147.6% this year. It is quite possible, though, that an analysis with more data than could be gleaned from the NAIC database could narrow the gap considerably.

Subtracting each insurer's combined ratio from one will produce its underwriting profit ratio for Florida medical malpractice. Multiplying that underwriting profit ratio by the Florida medical malpractice earned premium produces the insurer's Florida medical malpractice underwriting profit. To that one must add investment income and deduct federal taxes to arrive at an overall



post-tax<sup>3</sup> profit. Further, one must relate that income to a measure of the capital investment made in the company.

A commonly used measure (since it is an estimate of what would remain if the company were liquidated) of the capital deployed in an insurance company is its policyholders surplus. However, the policyholders surplus of a company is there to secure its promises to insureds against any unanticipated increase in loss costs, regardless of what line of business and state it arises in. Consequently, the financial data in the NAIC database only includes a single countrywide all-lines surplus value for each company. However, to perform a direct return on surplus calculation for Florida medical malpractice, it is necessary to allocate surplus to strictly Florida medical malpractice. There are many ways in use to allocate surplus to line and state. In the interest of simplicity, a very simple approach of allocating surplus according to direct<sup>4</sup> written premium was used. The results are shown in the chart below:

### **2012 Surplus Allocated to Florida Medical Malpractice for the Top Total Malpractice Carriers**

<b>Premium Rank</b>	<b>Company</b>	<b>Allocated Surplus in 1,000,000's</b>
<b>1</b>	<b>Doctors Company Group</b>	\$271.41
	<b>First Professionals Insurance Company</b>	\$162.73
	<b>Doctors Company, an Interinsurance Exchange</b>	\$87.56
	<b>Anesthesiologists Professional Assurance Company</b>	\$21.12
<b>2</b>	<b>MAG Mutual Insurance Company</b>	\$143.92
<b>3</b>	<b>Florida Doctors Insurance Company</b>	\$20.81
<b>4</b>	<b>The Medical Protective Company</b>	\$46.31
<b>5</b>	<b>ProAssurance Casualty Company</b>	\$70.77
<b>6</b>	<b>Lexington Insurance Company</b>	\$21.86
<b>7</b>	<b>American Casualty Company of Reading, Pennsylvania</b>	\$3.01
<b>8</b>	<b>Columbia Casualty Company</b>	\$2.60
<b>9</b>	<b>Evanston Insurance Company</b>	\$11.85
<b>10</b>	<b>Darwin Select Insurance Company</b>	\$2.35
<b>11</b>	<b>MedMal Direct Insurance Company</b>	\$8.92
<b>12</b>	<b>Samaritan Risk Retention Group, Inc.</b>	\$14.18
<b>13</b>	<b>Podiatry Insurance Company of America</b>	\$8.81

<sup>3</sup> Computing the post-tax profit is key whenever investment income is considered, as many carriers deliberately choose lower-yielding state and local government fixed income asset classes (bonds) due to the lower or foregone federal income taxes on the associated investment income.

<sup>4</sup> The resulting calculations are slightly distorted in that the surplus must only defend against unanticipated costs in losses after (net of) reinsurance. The degree to which reinsurance defends against unanticipated costs depends on the amount and type of reinsurance purchased as well the key coverage features of each reinsurance contract. However, considering that the typical malpractice insurer does not cede an overly high amount of reinsurance, the results may be taken as a crude bellwether.

Premium Rank	Company	Allocated Surplus in 1,000,000's
14	Southwest Physicians Risk Retention Group, Inc.	\$4.71
15	Physicians Insurance Company	\$8.20
16	Healthcare Underwriters Group of Florida	\$23.25
17	Admiral Insurance Company	\$31.92
18	National Union Fire Insurance Company of Pittsburg, PA	\$12.35
19	Ophthalmic Mutual Insurance Company RRG	\$20.72
20	Homeland Insurance Company of New York	\$3.21
21	Physicians Professional Liability Risk Retention Group, Inc.	\$18.71
22	Lancet Indemnity RRG, Inc.	\$1.91
23	Applied Medico-Legal Solutions Risk Retention Group, Inc.	\$3.56
24	OMS National Insurance Company RRG	\$14.30
25	Nautilus Insurance Company	\$7.33

First, the underwriting profit was computed by multiplying the difference from 100% times the earned premium. Next the policyholder dividends paid or declared in 2012 were subtracted from the underwriting profit so the results would be comparable to the way insurers report their overall profit. As a next step, the investment income and underwriting profit were added together. As with the surplus, the investment income must be allocated to Florida. Many methods may be used to perform the allocation. As before, this report uses a simplified approach. Investment was allocated to the Florida medical malpractice by computing the sum of the Florida loss and DCC reserve for medical malpractice, the Florida unearned premium reserve for medical malpractice, and the surplus allocated to Florida medical malpractice for each company. The ratio of that sum to the sum of the corresponding countrywide all-lines values for each company was used to prorate each company's investment income. The resulting pre-tax operating income estimates for Florida medical malpractice follow:

### Components of 2012 Estimates (in Millions) of Pre-Tax Florida Medical Malpractice Profit for the Top Total Malpractice Carriers

Premium Rank	Company	Post-Dividend Underwriting Profit/Loss	Investment Income	Pre-tax Profit
1	Doctors Company Group	\$11.75	\$19.97	\$31.72
	First Professionals Insurance Company	-\$6.49	\$12.13	\$5.63
	Doctors Company, an Interinsurance Exchange	\$14.92	\$6.23	\$21.15
	Anesthesiologists Professional Assurance Company	\$3.32	\$1.61	\$4.93

Premium Rank	Company	Post-Dividend		
		Underwriting Profit/Loss	Investment Income	Pre-tax Profit
2	MAG Mutual Insurance Company	-\$17.96	\$12.36	-\$5.60
3	Florida Doctors Insurance Company	\$2.79	\$2.78	\$5.57
4	The Medical Protective Company	\$5.61	\$7.09	\$12.70
5	ProAssurance Casualty Company	\$30.54	\$7.12	\$37.66
6	Lexington Insurance Company	-\$9.71	\$3.60	-\$6.11
7	American Casualty Company of Reading, Pennsylvania	-\$3.78	\$0.53	-\$3.24
8	Columbia Casualty Company	-\$1.28	\$1.79	\$0.52
9	Evanston Insurance Company	-\$2.55	\$1.30	-\$1.25
10	Darwin Select Insurance Company	\$6.14	\$0.39	\$6.52
11	MedMal Direct Insurance Company	-\$0.91	\$0.55	-\$0.36
12	Samaritan Risk Retention Group, Inc.	\$3.03	-\$1.02	\$2.00
13	Podiatry Insurance Company of America	\$0.21	\$0.46	\$0.67
14	Southwest Physicians Risk Retention Group, Inc.	\$1.92	\$0.70	\$2.62
15	Physicians Insurance Company	-\$0.79	\$0.15	-\$0.64
16	Healthcare Underwriters Group of Florida	-\$0.73	\$1.33	\$0.60
17	Admiral Insurance Company	-\$0.41	\$2.38	\$1.97
18	National Union Fire Insurance Company of Pittsburg, PA	\$6.02	\$8.83	\$14.85
19	Ophthalmic Mutual Insurance Company RRG	\$1.88	\$1.00	\$2.88
20	Homeland Insurance Company of New York	\$0.61	\$1.69	\$2.30
21	Physicians Professional Liability Risk Retention Group, Inc.	\$2.11	\$0.75	\$2.85
22	Lancet Indemnity RRG, Inc.	-\$0.82	\$0.05	-\$0.77
23	Applied Medico-Legal Solutions Risk Retention Group, Inc.	\$2.76	\$0.44	\$3.21
24	OMS National Insurance Company RRG	-\$1.02	\$0.68	-\$0.34
25	Nautilus Insurance Company	\$0.36	\$0.54	\$0.91

Using that, and the tax rate each company paid on total income in 2012 (capped between 0% and 35%), one may compute the estimate direct post-tax income and return on surplus. The results are shown on the following page.

**Estimated 2012 Post-Tax Florida Medical Malpractice Profit (in Millions) and  
Return on Surplus for the Top Total Malpractice Carriers**

<b>Premium Rank</b>	<b>Company</b>	<b>Capped Tax Rate</b>	<b>Post-Tax Income</b>	<b>Return on Surplus</b>
1	Doctors Company Group		\$27.67	10.2%
	First Professionals Insurance Company	35.0%	\$3.66	2.2%
	Doctors Company, an Interinsurance Exchange	6.1%	\$19.86	22.7%
	Anesthesiologists Professional Assurance Company	15.9%	\$4.15	19.6%
2	MAG Mutual Insurance Company	9.3%	-\$5.08	-3.5%
3	Florida Doctors Insurance Company	0.0%	\$5.57	26.8%
4	The Medical Protective Company	35.0%	\$8.26	17.8%
5	ProAssurance Casualty Company	19.5%	\$30.33	42.8%
6	Lexington Insurance Company	0.0%	-\$6.11	-28.0%
7	American Casualty Company of Reading, Pennsylvania	0.0%	-\$3.24	-107.7%
8	Columbia Casualty Company	32.8%	\$0.35	13.3%
9	Evanston Insurance Company	10.9%	-\$1.12	-9.4%
10	Darwin Select Insurance Company	19.0%	\$5.29	225.3%
11	MedMal Direct Insurance Company	0.0%	-\$0.36	-4.0%
12	Samaritan Risk Retention Group, Inc.	28.5%	\$1.43	10.1%
13	Podiatry Insurance Company of America	35.0%	\$0.44	4.9%
14	Southwest Physicians Risk Retention Group, Inc.	35.0%	\$1.70	36.2%
15	Physicians Insurance Company	1.6%	-\$0.63	-7.7%
16	Healthcare Underwriters Group of Florida	9.4%	\$0.54	2.3%
17	Admiral Insurance Company	7.0%	\$1.83	5.7%
18	National Union Fire Insurance Company of Pittsburg, PA	1.4%	\$14.65	118.7%
19	Ophthalmic Mutual Insurance Company RRG	18.3%	\$2.35	11.4%
20	Homeland Insurance Company of New York	0.0%	\$2.30	71.5%
21	Physicians Professional Liability Risk Retention Group, Inc.	30.3%	\$1.99	10.6%
22	Lancet Indemnity RRG, Inc.	33.4%	-\$0.51	-26.7%
23	Applied Medico-Legal Solutions Risk Retention Group, Inc.	30.9%	\$2.22	62.2%
24	OMS National Insurance Company RRG	27.7%	-\$0.25	-1.7%
25	Nautilus Insurance Company	31.1%	\$0.62	8.5%

The leading Florida medical malpractice carrier, the Doctors Company Group, generated an estimated 10% return in 2012. However, the #2 carrier, MAG Mutual, generated only a very

modest estimated loss of under 4% on <sup>5</sup>surplus in 2012, in spite of their 128% combined ratio. The two carriers showing the highest estimated returns on surplus (#10 Darwin Select and #18 National Union Fire) are part of large insurer groups that may have inter-company pooling agreements that allow them to hold lesser amounts of surplus in subsidiaries. For example, National Union booked a direct loss and DCC ratio of under 4% for Florida medical malpractice in 2012, following a negative booked loss and DCC in 2011 (which was likely affected by some reduction in the loss reserves booked by the company).

The Florida values are compared to the countrywide returns on surplus posted by those carriers. To make the more comparable, Florida returns with uncapped tax rates are computed and used in the comparison. Further, since the countrywide values reported to shareholders or other parties interested in financial performance are reported on a net (i.e. after deducting the premiums paid for reinsurance and adding in the loss reimbursements and other anticipated payments from reinsurers) of reinsurance basis, the countrywide results on a net of reinsurance basis are reported as well.

### Comparison of Estimated 2012 Post-Tax Florida Medical Malpractice Direct Return on Surplus to All Lines Companywide Net Return on Surplus for the Top Total Malpractice Carriers

Premium Rank	Company	Florida Direct Post-Capped Tax Return on Surplus	Florida Direct Post-Tax Return on Surplus	Countrywide Net Post-Tax Return on Surplus
1	Doctors Company Group	10.2%	8.7%	7.9%
	First Professionals Insurance Company	2.2%	-0.2%	-0.1%
	Doctors Company, an Interinsurance Exchange	22.7%	22.7%	8.9%
	Anesthesiologists Professional Assurance Company	19.6%	19.6%	19.1%
2	MAG Mutual Insurance Company	-3.5%	-3.5%	6.5%
3	Florida Doctors Insurance Company	26.8%	30.8%	11.7%
4	The Medical Protective Company	17.8%	17.2%	12.4%
5	ProAssurance Casualty Company	42.8%	42.8%	22.2%
6	Lexington Insurance Company	-28.0%	-30.4%	5.2%
7	American Casualty Company of Reading, Pennsylvania	-107.7%	-107.7%	1.4%
8	Columbia Casualty Company	13.3%	13.3%	3.2%
9	Evanston Insurance Company	-9.4%	-9.4%	14.8%
10	Darwin Select Insurance Company	225.3%	225.3%	2.4%
11	MedMal Direct Insurance Company	-4.0%	-4.0%	-6.5%
12	Samaritan Risk Retention Group, Inc.	10.1%	10.1%	9.9%

<sup>5</sup> MAG Mutual generated a 21% return on surplus in Florida during 2011 per the 2012 version of this report. So, their adverse result in 2012 may simply be the result of volatility in the loss ratios the company experiences rather than reflective of any adverse trend.

Premium Rank	Company	Florida Direct	Florida Direct	Countrywide
		Post-Capped Tax Return on Surplus	Post-Tax Return on Surplus	Net Post-Tax Return on Surplus
13	Podiatry Insurance Company of America	4.9%	4.2%	4.2%
14	Southwest Physicians Risk Retention Group, Inc.	36.2%	35.0%	34.8%
15	Physicians Insurance Company	-7.7%	-7.7%	-7.4%
16	Healthcare Underwriters Group of Florida	2.3%	2.3%	1.6%
17	Admiral Insurance Company	5.7%	5.7%	8.9%
18	National Union Fire Insurance Company of Pittsburg, PA	118.7%	118.7%	7.2%
19	Ophthalmic Mutual Insurance Company RRG	11.4%	11.4%	5.0%
20	Homeland Insurance Company of New York	71.5%	90.9%	18.9%
21	Physicians Professional Liability Risk Retention Group, Inc.	10.6%	10.6%	5.2%
22	Lancet Indemnity RRG, Inc.	-26.7%	-26.7%	-12.1%
23	Applied Medico-Legal Solutions Risk Retention Group, Inc.	62.2%	62.2%	14.9%
24	OMS National Insurance Company RRG	-1.7%	-1.7%	9.4%
25	Nautilus Insurance Company	8.5%	8.5%	10.1%
Totals for Overall Florida Malpractice Market		14.0%	17.1%	5.3%

The data above suggest that in 2012 Florida medical malpractice policies generated higher returns than the carriers' other policies. However, it is possible that a significant portion of the difference may be generated by volatility in claims costs (as discussed on pages 14, 25 and 26).

While the Florida returns have been positive overall, five carriers posted negative returns on surplus from Florida policy earnings in 2012 compared to three carriers in 2011. Should this trend continue, it is possible that the overall direct return on surplus in Florida may be stressed at some future time.

### ***Overall Financial Strength Measures for Leading Medical Malpractice Carriers in Florida***

Insurers do not set up a special, segregated, surplus account for Florida medical malpractice. Rather, the total surplus funds of an insurer are available to meet all premium shortfalls from all sources. Should insurers suffer adverse results in other areas, it could affect their ability to sell medical malpractice policies in Florida. This report provides some metrics of the overall financial solidity of the top Florida medical malpractice carriers.

One key metric from the last chart of the previous section, the overall countrywide return on surplus, relates to the overall financial strength of the Florida malpractice carriers. Specifically, the average post-tax net of reinsurance return was 5.3%. Considering that in 2012, the Dow Jones industrial stocks<sup>6</sup> gained 7.3%, and the Standard and Poor's index gained 13.4% (following a nearly flat year in 2011), the direct Florida return of the carriers certainly appears to

<sup>6</sup> All items were computed using the Finance section in Yahoo.com.

be consistent with the overall stock market (although the net return appears to be lagging somewhat). This generally supports the viability of the leading Florida malpractice carriers in the medium term. Only three of the carriers had negative overall countrywide returns.

The reported income of an insurance company is heavily impacted by any volatility in the loss reserves booked by the company. Further, any increase in the loss reserves would tend to create a corresponding reduction in the amount of surplus that is available to fund any premium shortfall. It is helpful to review whether or not the top Florida medical malpractice carriers have had to increase the costs of claims that were reserved in prior years. The table below shows the percentage change during 2012 in the cost of claims underlying the 2011 reserves and the percentage change during the 2011-2012 period in the cost of claims held in the 2010 reserves. It only reflects the changes that emerged over the period in question and the cost of claims might continue to change until the last claim is paid. Ratios of the change in accrued costs to the prior booked reserve (a measure of loss reserving accuracy) and ratios of the change in accrued costs to policyholder's surplus (a measure of the threat to solvency) are included below. A positive measure represents an increase in costs and a negative value a reduction in costs.

### **One Year Development on Countrywide All Lines 2011 Loss and Loss Adjustment Expense Reserves and Two Year Development on 2010 Reserves**

Florida		<u>All Lines One-Year Reserve Development</u>		<u>All Lines Two-Year Reserve Development</u>	
Written Premium		As Percentage	As Percentage	As Percentage	As Percentage
Rank	Company	of 2011 Reserves	of 2011 Surplus	of 2010 Reserves	of 2010 Surplus
1	Doctors Company Group	-5.5%	-4.4%	-14.1%	-8.0%
	First Professionals Insurance Company	-1.7%	-2.2%	-3.4%	-3.8%
	Doctors Company, an Interinsurance Exchange	-6.3%	-5.1%	-16.8%	-12.9%
	Anesthesiologists Professional Assurance Company	-15.0%	-18.3%	-18.4%	-19.8%
2	MAG Mutual Insurance Company	-9.8%	-9.1%	-23.7%	-27.2%
3	Florida Doctors Insurance Company	-10.9%	-25.3%	-14.9%	-31.6%
4	The Medical Protective Company	8.0%	11.8%	-6.0%	-9.8%
5	ProAssurance Casualty Company	-16.4%	-23.8%	-30.4%	-51.9%
6	Lexington Insurance Company	-0.4%	-0.7%	-1.2%	-2.0%
7	American Casualty Company of Reading, Pennsylvania	0.0%	0.0%	0.0%	0.0%
8	Columbia Casualty Company	0.0%	0.0%	0.0%	0.0%
9	Evanston Insurance Company	-7.4%	-14.3%	-14.1%	-30.0%
10	Darwin Select Insurance Company	-2.1%	-2.0%	-10.5%	-7.2%

Florida		<u>All Lines One-Year Reserve Development</u>		<u>All Lines Two-Year Reserve Development</u>	
Written Premium		As Percentage	As Percentage	As Percentage	As Percentage
Rank	Company	of 2011 Reserves	of 2011 Surplus	of 2010 Reserves	of 2010 Surplus
11	MedMal Direct Insurance Company	-2.7%	-0.7%	-2.0%	-0.1%
12	Samaritan Risk Retention Group, Inc.	-2.3%	-0.5%	-50.1%	-19.3%
13	Podiatry Insurance Company of America	-1.4%	-2.5%	-7.2%	-13.7%
14	Southwest Physicians Risk Retention Group, Inc.	-3.6%	-15.6%	9.3%	23.2%
15	Physicians Insurance Company	-2.5%	-1.9%	-20.8%	-17.1%
16	Healthcare Underwriters Group of Florida	-13.9%	-11.3%	-18.3%	-15.4%
17	Admiral Insurance Company	-2.3%	-2.0%	-4.5%	-4.2%
18	National Union Fire Insurance Company of Pittsburg, PA	2.9%	2.8%	3.5%	3.9%
19	Ophthalmic Mutual Insurance Company RRG	-6.8%	-2.5%	-16.4%	-6.5%
20	Homeland Insurance Company of New York	0.0%	0.0%	0.0%	0.0%
21	Physicians Professional Liability Risk Retention Group, Inc.	-20.8%	-18.3%	-37.6%	-31.5%
22	Lancet Indemnity RRG, Inc.	27.1%	39.6%	37.3%	39.2%
23	Applied Medico-Legal Solutions Risk Retention Group, Inc.	-10.4%	-20.4%	-15.5%	-25.7%
24	OMS National Insurance Company RRG	-8.1%	-8.4%	-16.9%	-19.0%
25	Nautilus Insurance Company	-3.6%	-4.2%	-9.3%	-10.3%

A review of the table will show that the booked costs of claims occurring through 2010 and 2011 have overwhelmingly been reduced in the last two years. This could be a result of a systematic weakening of reserves in recent years, or, considering the profitability of recent years, the most likely scenario is that 2010 and 2011 reserves were set conservatively. The latter scenario would suggest significant financial strength among medical malpractice carriers.

Another approach to solvency is to relate the premium sold or “written” by a company to its surplus. This relates the degree of risk in the form of the risk of a premium shortfall associated with the premium to the company’s resources for funding a shortfall should it emerge. Ratios of both direct and “net” (after “ceding” premium to reinsurers) premium to surplus are shown on the following page:



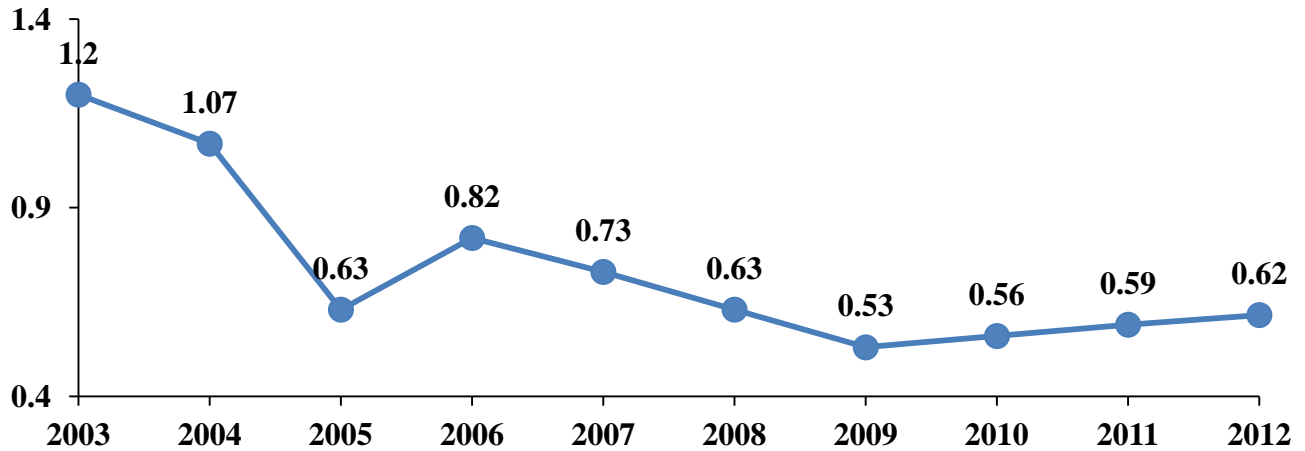
## 2012 Ratios of Premium to Surplus for the Top Total Malpractice Carriers

Florida Written Premium Rank	Company	All Lines Direct Premiums to Surplus Ratio	All Lines Net Premiums to Surplus Ratio
1	Doctors Company Group	47.9%	44.7%
	First Professionals Insurance Company	60.6%	53.3%
	Doctors Company, an Interinsurance Exchange	35.7%	29.6%
	Anesthesiologists Professional Assurance Company	46.5%	43.9%
2	MAG Mutual Insurance Company	151.5%	112.9%
3	Florida Doctors Insurance Company	57.8%	59.9%
4	The Medical Protective Company	30.6%	33.3%
5	ProAssurance Casualty Company	54.1%	45.7%
6	Lexington Insurance Company	375.1%	0.0%
7	American Casualty Company of Reading, Pennsylvania	333.8%	0.0%
8	Columbia Casualty Company	72.2%	79.4%
9	Evanston Insurance Company	363.8%	40.5%
10	Darwin Select Insurance Company	91.0%	87.7%
11	MedMal Direct Insurance Company	56.7%	56.7%
12	Samaritan Risk Retention Group, Inc.	76.9%	77.1%
13	Podiatry Insurance Company of America	137.3%	137.3%
14	Southwest Physicians Risk Retention Group, Inc.	78.1%	47.4%
15	Physicians Insurance Company	27.4%	25.8%
16	Healthcare Underwriters Group of Florida	19.3%	30.8%
17	Admiral Insurance Company	48.9%	32.5%
18	National Union Fire Insurance Company of Pittsburg, PA	28.6%	25.9%
19	Ophthalmic Mutual Insurance Company RRG	183.5%	30.4%
20	Homeland Insurance Company of New York	31.1%	29.7%
21	Physicians Professional Liability Risk Retention Group, Inc.	303.8%	245.3%
22	Lancet Indemnity RRG, Inc.	162.2%	131.1%
23	Applied Medico-Legal Solutions Risk Retention Group, Inc.	38.7%	46.4%
24	OMS National Insurance Company RRG	74.5%	88.6%
25	Nautilus Insurance Company	307.7%	26.8%

It is generally thought to be highly desirable for the net written premium to surplus ratio to be under 300%. Only one carrier's ratio of net written premium to surplus was over 200%. That suggests that the medical malpractice industry as a whole is financially strong. The overall

average net written premium to surplus ratio (weighting the ratio of each company writing in Florida by its 2012 Florida medical malpractice written premium) was 0.62. As the graph following shows, it is only slightly higher than the ratio developed in 2011.

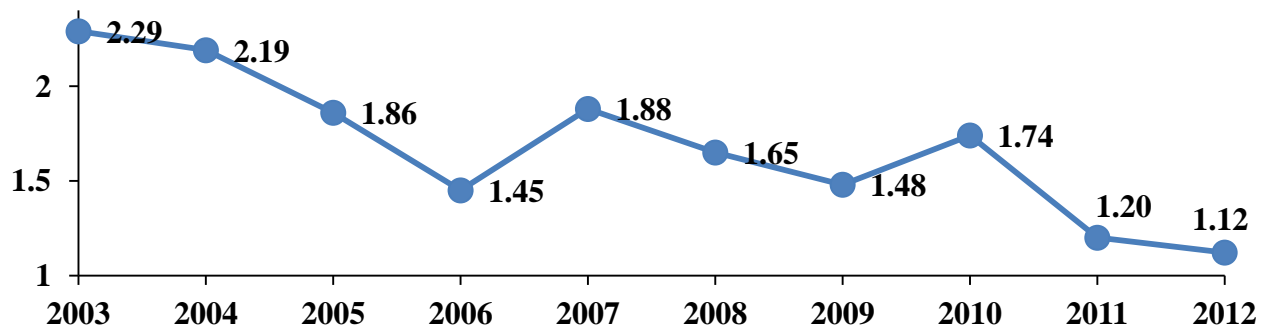
### Historical Average Ratio of Net Written Premium to Surplus



The ratio of premiums to written to surplus has generally remained low throughout the post-2004 period. The lower values generally fall in the 2008-present period.

While the net premiums written to surplus ratio relates the new risks taken on to the surplus funds, it is also helpful to relate the remaining liabilities on policies previously sold (loss and loss adjustment expense reserves and unearned premium reserves) to surplus. That measure compares the risk of underestimation of the liabilities to the surplus that must fund any underestimation. Historical ratios of the net liability to surplus of the top companies are shown in the following graph.

### Historical Average Ratios of Net Liabilities to Surplus for the Top Total Malpractice Carriers

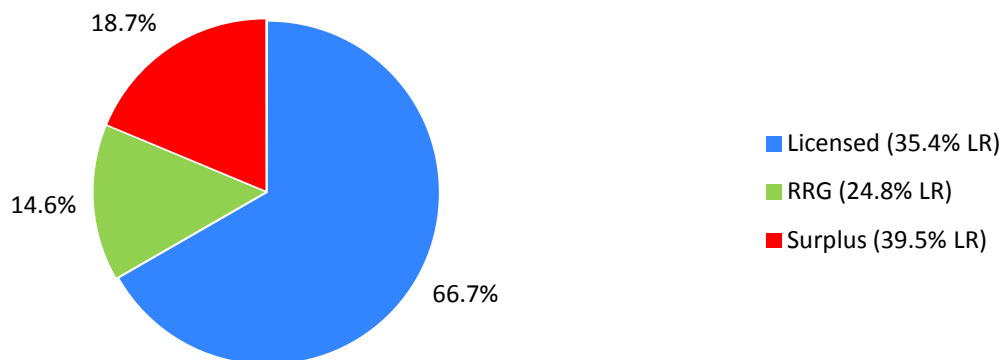


There is no precise statutory requirement for the net liabilities to surplus ratio, although the more recent ratios certainly suggest enhanced financial strength.

### ***Composition of the Total Florida Medical Malpractice Market by Type of Insurer***

There are different types of companies that may sell medical malpractice in Florida. The most common are admitted property/casualty companies that offer guarantee fund protection in the event the companies fail. Admitted companies must also file rates and policy contract language with the Office. There are surplus lines companies that do not offer guarantee fund protection and do not file rates or contract terms (to purchase such a policy, inability of the coverage in the “admitted” market must be shown). Lastly, there are risk retention groups that need only file rates in their home state to use the rates in any state. A breakdown of the entire Florida written premium by entity type is given below, along with the overall loss ratio for each entity type.

#### **Composition of Overall 2012 Florida Medical Malpractice Insurance Market (Written Premium) by Insurer Type-Including Loss Ratios for Each Type of Insurer**



The vast majority of Florida medical malpractice is sold by admitted property/casualty insurance companies. Further, the loss ratios are remarkably level among the three categories. It is important to consider, though, that these results include facilities (including hospitals) and other healthcare professionals along with physicians. Charts later in this report will show that the breakdown among carrier types differs radically across the different types of insureds.

### ***Florida Marketplace Dynamics for the Total Medical Malpractice Line – Activity in the Admissions Unit***

The dynamics of the medical practice market in Florida vary from subline to subline and hence should be measured separately. However, when a company is admitted to sell medical malpractice in Florida, its license generally allows it to sell all types of medical malpractice. Information from the company admissions unit of the Office is presented here.

Aside from the analysis of the 80% market share sample companies, another indication of the health and perceived profitability of the Florida medical malpractice insurance market is the activity in the admissions unit of the Office. During 2012, the insurance companies and risk retention groups below entered the medical malpractice insurance market in Florida:

### Carriers Entering the Florida Medical Malpractice Market in 2012

Company	Type of Entity	Domiciliary State
<b>Praetorian Insurance Company</b>	Property/Casualty Insurer	PA
<b>Cherokee Guarantee Company, Inc. RRG</b>	Risk Retention Group	AZ
<b>Ironshore RRG, Inc.</b>	Risk Retention Group	VT
<b>MCIC Vermont, Inc. RRG</b>	Risk Retention Group	VT
<b>NCMIC RRG, Inc.</b>	Risk Retention Group	VT
<b>Orthoforum Insurance Company RRG</b>	Risk Retention Group	SC
<b>The Doctors Company RRG, A Reciprocal Exchange</b>	Risk Retention Group	DC
<b>The Healthcare Underwriting Company RRG</b>	Risk Retention Group	VT

Seven of the new entrants are risk retention groups. Although this scenario is a somewhat extreme case, the growing number of risk retention groups is a trend seen nationally as well as in Florida.

Of the eight new entrants, only one<sup>7</sup> is an admitted insurer. This contrasts with the seven insurers that were admitted into the Florida medical malpractice market in 2011. However, it is too early to draw broad conclusions about the Florida market from this.

The table below shows the single risk purchasing group that was admitted to Florida in 2012. Risk purchasing groups do not per se provide insurance. They pool insureds into groups to make them more attractive to insurers that are already admitted to the Florida medical malpractice marketplace.

### Risk Purchasing Groups Entering the Florida Medical Malpractice Market in 2012

Company	Type of Entity	Domiciliary State
<b>Unified Providers RPG, LLC</b>	Risk Purchasing Group	FL

Two companies within a common insurer group<sup>8</sup> surrendered their Florida medical malpractice insurance certificates during 2012.

<sup>7</sup> An additional applicant, Nutmeg Insurance Company, did not complete the entire application process.

During 2011, The Doctors Company purchased First Professionals Insurance Company (former #1 writer of physicians medical malpractice in Florida, and also #1 in terms of total malpractice premium in Florida). During 2012, the Doctors Company submitted a rate filing to enable them to move all the physicians malpractice business from First Professionals (and its sister company Anesthesiologists Professional Assurance Company) to the Doctors Company, effectively consolidating all their business in that company.

### ***Recent Medical Malpractice Legislation***

There were three laws relating to medical malpractice that were passed and signed as a result of the 2013 legislative session. They are listed below, with information on key provisions in each law that pertains to medical malpractice. Stated opinions obtained from representatives of the insurance industry and the plaintiff's bar on the cost impact of each one are included as well. Unfortunately, the impact of the bills on loss costs cannot be reliably estimated using standard data sources such as the NAIC financial database.

- House Bill 7015 – This bill allows a judge to independently evaluate expert witness testimony for compliance with scientific procedures and protocols. The insurer representatives believe that this will potentially reduce the costs of litigating claims due to the restrictions on which experts' findings must be considered. They do not believe that this will significantly affect the loss amounts paid to claimants. Rather, they expect this bill to have primary impact on the cost of the claims litigation process. The plaintiff's bar believes this will increase their costs when bringing a case due to the need to bring more specialists in to prove to a judge that the expert witness testimony is valid.
- Senate Bill 468 – This bill converted filing of rates and rules for nurses, healthcare facilities other than hospitals and eldercare facilities, and miscellaneous healthcare professionals to an information only basis, rather than requiring review by the Office. The insurer representatives believe this will generate some small expense savings with respect to rate and rule filings. In addition, as an alternative to prior review and approval by the Office, an insurer may choose to submit medical malpractice form filings for informational purposes by submitting a certification that states the forms comply with all applicable Florida Statutes and Rules. Insurer representatives believe that the reduction in the form filing requirements will have a similarly modest impact on expenses, but will also generate a marked increase in their ability to respond to market conditions. The plaintiff's bar believes this will put upward pressure on rates. Further, they are concerned that policyholders may receive unanticipated changes in coverage.
- Senate Bill 1792– This bill contains two relevant provisions. First, it requires that physician expert witnesses qualify in the same specialty area of practice as the defendant physician. Second, it allows communication with non-defendant physicians by the insurer. The insurer representatives believe that the criteria for expert witnesses has the potential to somewhat reduce costs by expediting the discovery process. Further, they

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<sup>8</sup> Harleysville Mutual Insurance Company and Harleysville-Atlantic Insurance Company.

believe the increased direct communication with non-defendant physicians should reduce discovery costs as well. As with House Bill 7015, they do not believe that this will significantly affect the loss amounts paid to claimants. The plaintiff's bar believes this will increase their costs when bringing a case due to the need to use the more specific group of practitioners, especially when multiple specialties are involved. Further, they believe the enhanced ability to interview non-defendant physicians will increase defense and cost containment costs.

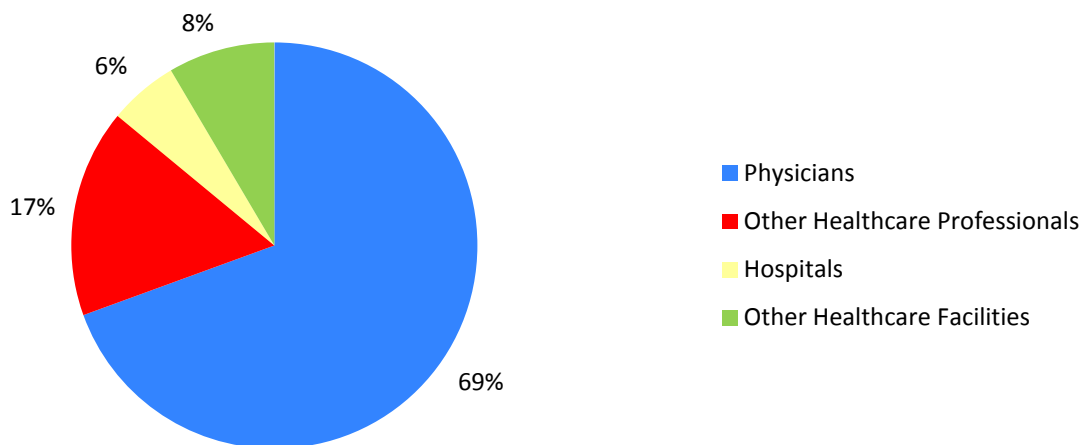
Also of interest, the 2003 damages cap has been challenged in the McCall case. At the time of this writing, the Florida Supreme Court was still deliberating that case.

## Analysis of the Physicians and Surgeons Subline

The general medical malpractice line of business covers a diverse mix of insureds, and the different insureds have very different risk characteristics. For example, physicians and surgeons, for the most part, purchase statutorily required \$250,000 limits of insurance or somewhat higher limits of \$500,000 and \$1 million, and either do not purchase deductibles or purchase deductibles of \$25,000 or less. Large hospitals, however, may purchase policies with a \$2 million deductible, and much higher limits of coverage. Smaller hospitals would be expected to purchase smaller deductibles and limits. Other medical professionals such as dentists and nurses tend to pay much lower premiums than physicians and surgeons. Lastly, a broad range of other medical facilities, including nursing homes but also including facilities such as blood banks and MRI centers are also covered under the medical malpractice line of insurance.

As the chart below shows, the physicians and surgeons category represents 69% of the 2012 medical malpractice premium, and is by far the most prevalent.

**2012 Written Premium by Type of Insured**



The next portion of this report analyzes the information in the NAIC database, rate filing data, and comparative premium rates among the top ten states. It will focus on comparisons among the top ten physicians and surgeons malpractice states (by written premium) in the United States, the leading physicians and surgeons malpractice carriers in Florida, the types of insurers selling physicians malpractice in Florida, marketplace dynamics for the physicians insurance subline in Florida, and information on rate filings made in the physicians subline during 2012.

### *Comparisons to Other Leading States*

As with the total malpractice market, the top ten states by physicians malpractice written premium were determined and are shown below:

#### **2012 Top Ten States by Physicians Malpractice Direct Written Premium**

<b>State</b>	<b>2012 Physicians Written Premium</b>	<b>Physicians Written Premium Rank</b>	<b>All Medical Malpractice Written Premium Rank</b>
New York	\$991,429,768	<b>1</b>	1
California	\$481,015,569	<b>2</b>	2
Illinois	\$427,903,829	<b>3</b>	4
<b>Florida</b>	<b>\$357,541,785</b>	<b>4</b>	<b>5</b>
New Jersey	\$349,936,767	<b>5</b>	6
Pennsylvania	\$307,116,670	<b>6</b>	3
Ohio	\$216,579,606	<b>7</b>	7
Georgia	\$190,562,484	<b>8</b>	10
Maryland	\$171,052,226	<b>9</b>	11
Texas	\$165,673,685	<b>10</b>	8

These closely mirror the all malpractice rankings. Only one of the top ten states for all medical malpractice (#9 Massachusetts) is not on this list. Pennsylvania, Georgia, Maryland and Texas have noticeably different rankings for physicians malpractice than for all medical malpractice. The precise reason is not known, but it is possible that in Massachusetts, Pennsylvania and Texas physicians may be much more prone to obtain coverage as part of their association with a hospital.

While DCC information and expense information by subline is not included in the NAIC database, incurred loss and earned premium information is. The 2012 loss ratios of strictly physicians malpractice for the top ten states are shown on the next page:

## 2012 Direct Loss Ratios of Top Ten Physicians Malpractice States

Premium Rank	State	2012 Physicians Direct Loss Ratio
1	New York	69.0%
2	California	43.7%
3	Illinois	25.7%
4	<b>Florida</b>	<b>32.0%</b>
5	New Jersey	39.8%
6	Pennsylvania	33.1%
7	Ohio	3.6%
8	Georgia	18.7%
9	Maryland	40.3%
10	Texas	21.9%

Florida ranks sixth in this list (fifth lowest), as it did last year, and its rank is similar to its rank in the total malpractice review. Further, only New York, California and Maryland had loss ratios of over 40%.

Since physicians malpractice is such a large part of the total malpractice market, it is reasonable<sup>9</sup> to extrapolate that its DCC costs bear approximately the same ratio to loss costs as exists for the entire medical malpractice line in Florida. Similarly, the expense ratios by state from the total malpractice analysis may be added in to produce a fairly high quality estimate of the combined ratios of the top ten physicians malpractice states.

## Estimated 2012 Direct Combined Ratios of Top Ten Physicians Malpractice States

Premium Rank	State	2012 Physicians Direct Combined Ratio
1	New York	112.7%
2	California	100.4%
3	Illinois	66.9%
4	<b>Florida</b>	<b>78.2%</b>
5	New Jersey	86.0%
6	Pennsylvania	67.9%

<sup>9</sup> For the other sublines that are smaller portions of the total malpractice market, their expense characteristics may be significantly different than that of the total malpractice market. Therefore, the analysis of combined ratios presented here would not be a reliable estimate of the profitability of the other sublines.



Premium Rank	State	2012 Physicians Direct Combined Ratio
7	Ohio	36.5%
8	Georgia	52.9%
9	Arizona	87.8%
10	Texas	63.1%

By this reckoning, Florida ranks fifth in physicians combined ratios, as it did in the previous study. As with the analysis of total medical malpractice, this suggests that most states are generating very healthy overall profitability in physicians malpractice insurance.

### *Leading Physicians Carriers in Florida*

As with the total malpractice market, it is helpful to identify the leading carriers for physicians malpractice in Florida (defined as in statute, as those constituting 80% of the physicians malpractice market). As the table below shows, it only requires ten (down from twelve last year) carriers to constitute 80% of the physicians malpractice market in Florida.

### **Key 2012 Financial Information for Top Physicians Malpractice Carriers in Florida**

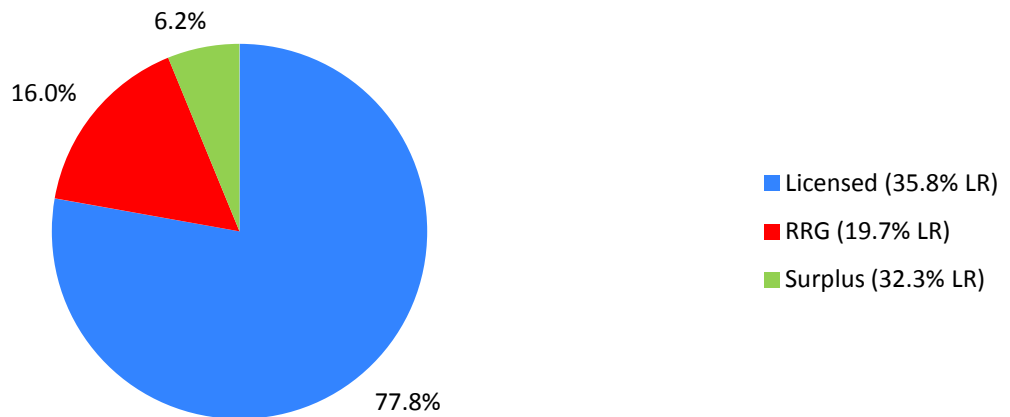
Company	Direct Florida Physician Written Premium	Written Premium Rank	Market Share	Cumulative Market Share	Direct Florida Physician Earned Premium	Direct Loss Ratio
Doctors Company Group	\$133,735,576	1	37.4%	37.4%	\$139,001,507	37.1%
First Professionals Insurance Company	\$88,413,671				\$90,661,108	52.5%
Doctors Company, An Interinsurance Exchange	\$40,588,393				\$43,230,107	4.7%
Anesthesiologists Professional Assurance Company	\$4,733,512				\$5,110,292	45.6%
MAG Mutual Insurance Company	\$50,144,136	2	14.0%	51.4%	\$50,937,946	67.3%
Florida Doctors Insurance Company	\$31,311,505	3	8.8%	60.2%	\$31,075,158	51.0%
ProAssurance Casualty Company	\$21,281,418	4	6.0%	66.2%	\$22,948,587	-58.8%
The Medical Protective Company	\$19,747,469	5	5.5%	71.7%	\$17,478,533	53.8%
MedMal Direct Insurance Company	\$8,086,015	6	2.3%	74.0%	\$6,558,853	42.9%
Samaritan Risk Retention Group, Inc.	\$8,041,677	7	2.2%	76.2%	\$7,056,328	28.6%
Southwest Physicians Risk Retention Group, Inc.	\$6,469,273	8	1.8%	78.0%	\$6,469,273	45.2%
Physicians Insurance Company	\$6,400,363	9	1.8%	79.8%	\$6,727,665	43.0%
Healthcare Underwriters Group Of Florida	\$6,374,905	10	1.8%	81.6%	\$6,779,004	3.9%

The loss ratios vary greatly from insurer to insurer, and the #4 carrier has a very unusual loss ratio. For the smaller companies the volatility is likely dominated by random fluctuation in the costs of individual claims, for the larger companies, systemic changes such as reserve volatility changes may be key drivers of the loss ratio results. As shown above, the top ten physicians insurers comprise 80% of the physicians malpractice market, whereas the top 25 comprise 80% of the overall medical malpractice market.

***Composition of Florida Physicians Malpractice Market by Type of Insurer***

To provide clarity on the markets most often served by surplus lines companies and risk retention groups, this report provides breakdowns of the direct written premium of the four sublines of medical malpractice contained in the NAIC by the type of carrier generating the premium. The breakdown for physicians malpractice is shown below.

**Composition of Physicians 2012 Florida Medical Malpractice Insurance Market (Written Premium) by Insurer Type-Including Loss Ratios for Each Type of Insurer**



The market is dominated by licensed property/casualty insurers. Further, the loss ratios do not appear to differ greatly between the various company types.

The dominance of licensed insurers in the physicians market is likely very different than the situation for hospitals, nursing homes, and other facilities. For those categories of medical malpractice insurance, very few companies file rates, suggesting that most carriers are surplus lines carriers or risk retention groups, neither of which must file rates. Based on the number of filings, it is likely that the other professionals, just like the physicians and surgeons, are primarily served by licensed insurers. That is confirmed in charts later in the report.

It is also helpful to analyze which of the leading carriers are physicians insurance specialists, and which are more narrowly specialists in the Florida physicians malpractice market. First, data on the percentage of each carrier’s total premium from all lines of business that is for physicians malpractice is shown on the next page:

**2012 Percentage of Leading Carriers' All Lines Countrywide Direct Written Premium that is from Physicians Malpractice (All States)**

<b>Florida Physicians Premium Rank</b>	<b>Company</b>	<b>Total Physicians Written Premium to Total Written Premium Ratio</b>
1	Doctors Company Group	93.0%
	First Professionals Insurance Company	91.0%
	Doctors Company, An Interinsurance Exchange	96.7%
	Anesthesiologists Professional Assurance Company	100.0%
2	MAG Mutual Insurance Company	95.5%
3	Florida Doctors Insurance Company	99.4%
4	ProAssurance Casualty Company	79.5%
5	The Medical Protective Company	81.1%
6	MedMal Direct Insurance Company	99.6%
7	Samaritan Risk Retention Group, Inc.	100.0%
8	Southwest Physicians Risk Retention Group, Inc.	85.4%
9	Physicians Insurance Company	100.0%
10	Healthcare Underwriters Group Of Florida	100.0%

All the top ten carriers could be described as physicians malpractice specialists.

The following table analyzes the ratio of each carrier's Florida physicians malpractice premiums to its total premium for all lines and states. This illustrates the degree to which each carrier is a specialist in Florida malpractice insurance.

**2012 Percentage of Leading Carriers' All Lines Countrywide Direct Written Premium that is from Strictly Florida Physicians Malpractice**

<b>Florida Physicians Premium Rank</b>	<b>Company</b>	<b>Florida Physicians Written Premium to Total Written Premium Ratio</b>
1	Doctors Company Group	17.6%
	First Professionals Insurance Company	72.8%
	Doctors Company, An Interinsurance Exchange	6.4%

<b>Florida Physicians Premium Rank</b>	<b>Company</b>	<b>Florida Physicians Written Premium to Total Written Premium Ratio</b>
	<b>Anesthesiologists Professional Assurance Company</b>	75.1%
<b>2</b>	<b>MAG Mutual Insurance Company</b>	21.1%
<b>3</b>	<b>Florida Doctors Insurance Company</b>	99.4%
<b>4</b>	<b>ProAssurance Casualty Company</b>	12.8%
<b>5</b>	<b>The Medical Protective Company</b>	3.2%
<b>6</b>	<b>MedMal Direct Insurance Company</b>	99.6%
<b>7</b>	<b>Samaritan Risk Retention Group, Inc.</b>	100.0%
<b>8</b>	<b>Southwest Physicians Risk Retention Group, Inc.</b>	36.9%
<b>9</b>	<b>Physicians Insurance Company</b>	98.8%
<b>10</b>	<b>Healthcare Underwriters Group Of Florida</b>	100.0%

Four may be regarded as Florida physicians malpractice specialists, although the former #1 carrier was recently purchased by a company from California (The Doctors Company) so the number of Florida specialists is down relative to 2011.

### ***Florida Marketplace Dynamics for the Physicians Malpractice Subline***

Since the physicians malpractice subline is fairly homogeneous, the degree of competition and the degree of exposure to consequent coverage availability problems are susceptible to analysis. The analysis in this section focuses on those goals.

As a first step, the quality of the competition, as least to the extent that it is determinable from NAIC data, is evaluated. The most relevant measure that can be computed from NAIC physicians market data is the Herfindahl index. This is a measure of the extent to which market share (and presumably market clout) is concentrated in a few companies. The theory of economic competition is based on an assumption that there are a large number of sellers of a commodity (in this case, physicians malpractice insurance), that act independently, and that each seller is a “price taker” that must accept a market price. Therefore, the potential for the market to optimize pricing to benefit insureds is affected by the degree of concentration in the market. The United States Justice Department uses the Herfindahl index to measure concentration within a market. It is computed by taking the squares of the market shares of the competitors in a market (squaring, for example, 10 to 100 for a company with a 10% market share) and summing the results across all the competitors in the market segment. The position posted on the Department of Justice website<sup>10</sup> is that markets with Herfindahl indices between 1500 and 2500 are moderately concentrated and markets with Herfindahl indices over 2500 are highly concentrated. Thus, computing the Herfindahl index is key to analyzing market concentration.

<sup>10</sup> <http://www.justice.gov/atr/public/guidelines/hhi.html>

Since the Herfindahl index is computed using combined market share of companies under common control, the companies that merged into the Doctors Company must be treated as a single company (raising the index to a moderately concentrated level). The calculation<sup>11</sup> of the Herfindahl index is shown below.

### Herfindahl Index for Florida Physicians Malpractice Market

Group or Company	Florida Physicians Market Share	Squared Market Share
Doctors Company Group	38	1409
MAG Mutual Insurance Group	14	198
Florida Doctors Insurance Company	9	77
ProAssurance Corporation Group	6	42
Berkshire Hathaway Group (including Medical Protective)	6	35
MedMal Direct	2	5
Samaritan RRG, Inc.	2	5
Southwest Physicians Risk Retention Group	2	3
Physicians Insurance Company	2	3
Healthcare Underwriters Group of Florida	2	3
All Other Groups & Companies	17	31
<b>Herfindahl-Hirschman Index</b>		<b>1,812</b>

Another way to look at the Florida medical malpractice is its resiliency, or ability to withstand a major or minor marketplace event related to a single carrier. In the analysis, two scenarios are considered. One is a major coverage, pricing, etc. decision by company or group of companies under common control that is unpopular enough with the physicians and/or physician practice groups to cause an extra 25% of the group's insureds to choose to switch insurance providers. The other is the more catastrophic event of an insolvency or retrenchment that would result an insurance company or insurance group electing to no longer sell malpractice policies in Florida.

<sup>11</sup> Different treatments of the very small market share companies have been used by different analysts. In our analysis, all small companies are treated individually in the calculation.

Such events may cause dramatic market dislocations should the other carriers be reluctant to immediately increase their policies sold in order to fill any consequent gap in the market. It is fairly well known that new business to an insurance company is generally more risky than renewal business. That is because the insurance company has the benefit of insuring the renewal policies for a few years and, consequently, has a better understanding of the losses they might bring. It would not be unusual for an insurance company to place some limit on the total policies it sells, even in the presence of a market opportunity generated by a withdrawal or misstep of another carrier. Hence, it is appropriate to consider how large of an increase in policies the remaining carriers must accept in order to fill the void left by a departing or suddenly undesirable carrier.

The tables that follow show whether or not an average 10%, 15%, or 25% increase in sales by all the remaining carriers (in aggregate) would restore the supply and demand balance to the physicians medical malpractice market in Florida.

### **Ability of Physicians Malpractice Market to Absorb 25% of the Business of Each of Leading Company Groups**

Group or Company	Florida			
	Physicians Market Share	<u>Is 25% of Cos. Business Replaceable by</u>		
		10% Growth by Competitors	15% Growth by Competitors	25% Growth by Competitors
Doctors Company Group	38%	No	No	Yes
MAG Mutual Insurance Group	14%	Yes	Yes	Yes
Florida Doctors Insurance Company	9%	Yes	Yes	Yes
ProAssurance Corporation Group	6%	Yes	Yes	Yes
Berkshire Hathaway Group (including Medical Protective)	6%	Yes	Yes	Yes
MedMal Direct	2%	Yes	Yes	Yes
Samaritan RRG, Inc.	2%	Yes	Yes	Yes
Southwest Physicians Risk Retention Group	2%	Yes	Yes	Yes

Group or Company	Florida			
	Physicians Market Share	<u>Is 25% of Cos. Business Replaceable by</u>		
		10% Growth by Competitors	15% Growth by Competitors	25% Growth by Competitors
Physicians Insurance Company	2%	Yes	Yes	Yes
Healthcare Underwriters Group of Florida	2%	Yes	Yes	Yes

The Florida physicians malpractice market appears to be reasonably capable of offering alternatives to adverse activity by any company or group except the Doctors Company group. Further, if the other carriers perceive that the market opportunity is strong enough to risk additional new business in the amount of 25% of their current business, the market could conceivably offer alternatives to the Doctors Company group that supply the necessary insurance capacity.

### Ability of Physicians Malpractice Market to Absorb Withdrawal of Each of Leading Company Groups

Group or Company	Florida			
	Physicians Market Share	<u>Is Withdrawal of Co. Replaceable by</u>		
		10% Growth by Competitors	15% Growth by Competitors	25% Growth by Competitors
Doctors Company Group	38%	No	No	No
MAG Mutual Insurance Group	14%	No	No	Yes
Florida Doctors Insurance Company	9%	Yes	Yes	Yes
ProAssurance Corporation Group	6%	Yes	Yes	Yes
Berkshire Hathaway Group (including Medical Protective)	6%	Yes	Yes	Yes
MedMal Direct	2%	Yes	Yes	Yes
Samaritan RRG, Inc.	2%	Yes	Yes	Yes
Southwest Physicians Risk Retention Group	2%	Yes	Yes	Yes

Group or Company	Florida			
	Physicians Market Share	Is Withdrawal of Co. Replaceable by		
		10% Growth by Competitors	15% Growth by Competitors	25% Growth by Competitors
Physicians Insurance Company	2%	Yes	Yes	Yes
Healthcare Underwriters Group of Florida	2%	Yes	Yes	Yes

For the event of an outright withdrawal from Florida, the physicians malpractice market is at risk of unavailability problems in two situations. Should the #1 group leave Florida, the remaining carriers would have to increase their writings by more than 25% (actually, by approximately 60%) for all Florida physician policyholders to be served. Should the #2 carrier exit the market, a substantial, but more modest, writing increase of slightly over 15% would be required of the remaining groups.

### *Comparison of Florida Physicians Rates to Those of Other States*

This report contains example premiums for carriers in the top ten states in Appendix A. To prepare that exhibit, the Office obtained the rating manuals of the top three carriers (by 2012 physicians malpractice volume) within each of the top ten states for physicians malpractice from the insurance regulatory bodies of the various states. Unfortunately, relevant information on Texas was not obtainable because the rates of its leading physicians malpractice carrier, Texas Medical Liability Trust (the recent acquirer of Physicians Insurance Company), are not contained in publically available documents we could identify. In Pennsylvania, only the rates of two of the top three carriers were in the Pennsylvania Insurance Department public files, because one of the top three carriers was Mountain Laurel RRG, which is not required to file its rates with the Pennsylvania insurance department.

Within Appendix A, unless noted otherwise, premiums were computed at the \$1 million coverage limit that, although higher than the minimum limit in Florida, is at or above the minimum financial limits of all nine states. Therefore, all the premiums are stated on a comparable basis (unless shown otherwise). Four key classes were chosen (family practice, obstetrics, emergency room medicine, and orthopedics) to represent a variety of rates and still focus on the most common classes for which malpractice premiums are most often discussed. Territories present an issue because different states and different companies within each state have different territory structures. Premiums from the territory with the highest rates and the territory with the lowest rates are presented in Appendix A. That way, the premiums in lowest rated territories of all the states may be compared to one another, and similarly the premiums in highest rated territories may be compared.



There is possibly more than one way to summarize the information in Appendix A. Considering that Florida has some of the higher premiums in the sampled states, the chart below strictly looks at the premiums of the carrier with the highest rates in each type of territory (highest rated or lowest rated). Within that approach, the premiums of the various states were ranked from highest to lowest. Information on the carrier with the highest premium, the carrier with the lowest premium, and where Florida ranks among the nine states sampled is shown in the chart below:

### Summary of Results of Premium Comparisons between Leading States

Physician Class	State Rank	State	Company	Territory	Premium
<b>Results for Territories with Highest Rates:</b>					
Family Practice	Highest (1)	Florida	First Professionals	Dade	\$42,772
	1	Florida	First Professionals	Dade	\$42,772
	Lowest (9)	New Jersey	MDAdvantage	Entire State	\$10,088
Obstetrician	Highest (1)	New York	Physicians Reciprocal Insurers	Nassau and Suffolk Counties	\$214,999
	2	Florida	Doctors Company	Dade	\$190,829
	Lowest (9)	Georgia	Doctors Company	Entire State	\$59,938
Emergency Room Drs.	Highest (1)	Illinois	Doctors Company	Cook, Madison, St. Clair Counties	\$98,832
	2	Florida	Doctors Company	Dade	\$90,479
	Lowest (9)	New Jersey	MDAdvantage	Entire State	\$13,207
Orthopedists	Highest (1)	New York	Physicians Reciprocal Insurers	Nassau and Suffolk Counties	\$149,493
	2	Florida	Doctors Company	Dade	\$115,155
	Lowest (9)	Georgia	Doctors Company	Entire State	\$36,682
<b>Results for Territories with Lowest Rates:</b>					
Family Practice	Highest (1)	Massachusetts	Medical Protective Company	Entire State	\$23,002
	2	Florida	Doctors Company	Remainder of State	\$21,934
	Lowest (9)	California	Doctors Company	Remainder of State	\$4,735

Physician Class	State Rank	State	Company	Territory	Premium
Obstetrician	Highest (1)	Massachusetts	Connecticut Medical	Entire State	\$110,275
	<b>3</b>	<b>Florida</b>	<b>Doctors Company</b>	<b>Remainder of State</b>	<b>\$97,861</b>
	Lowest (9)	California	Doctors Company	Remainder of State	\$25,190
Emergency Room Drs.	Highest (1)	Illinois	Doctors Company	Adams, Knox, Peoria, Rock Island Counties	\$46,451
	<b>2</b>	<b>Florida</b>	<b>Doctors Company</b>	<b>Remainder of State</b>	<b>\$46,399</b>
	Lowest (9)	California	Doctors Company	Remainder of State	\$11,257
Orthopedists	<b>Highest (1)</b>	<b>Florida</b>	<b>Doctors Company</b>	<b>Remainder of State</b>	<b>\$59,054</b>
	<b>1</b>	<b>Florida</b>	<b>Doctors Company</b>	<b>Remainder of State</b>	<b>\$59,054</b>
	Lowest (9)	California	Doctors Company	Remainder of State	\$17,120

Florida is either the highest (of nine states) or the second highest state as far as premiums go in all but one of the scenarios. That includes both the higher rated territories and lower rated territories.

### *Physicians Malpractice Rate Filings in 2012*

The downward movement in physicians and surgeons malpractice rates continued through 2012, although only a few carriers revised their rates. The vast majority of the carriers filed and supported continuance of their existing rates. So, on the average, overall rates for the admitted market companies (the only companies required to file their rates) decreased by only 0.3%. That represents an average 0.3% decrease contained in the typical rate filing, with about 7% of the admitted market not submitting a rate filing during 2012.

Calendar Year 2012 featured 135 approved filings<sup>12</sup> (90 rate filings, 45 not involving rate changes) of all types for medical malpractice, and 39 that were withdrawn by the carriers before a resolution was made. No malpractice filings were disapproved. Of those filings within the medical malpractice line overall, 37 physicians malpractice filings were resolved by the Office. 19 filings were resolved by the Office in 2012 regarding physicians malpractice rate changes, new company initial rates, or mathematically affirming rate levels. 10 physician filings were withdrawn by the carriers before a decision was made. No physicians filings were disapproved, and 8 physicians malpractice filings that did not involve rate changes were approved by the Office during 2012.

Of course, various types of insureds other than physicians are also included in the medical malpractice line of business. Details on the rate filings for specialized types of medical

<sup>12</sup> All references to filings in this report exclude special filings in connection with passing guaranty association costs to insureds as those are handled on a perfunctory basis.

malpractice insurance including dentists, podiatrists, optometrists, chiropractors and other distinct fields are included elsewhere in this report.

In reviewing the chart on the following page, the data shows that the approved rate changes varied somewhat. As stated earlier, most physicians malpractice filings resulted in no change in rate level. Three other filings effected rate decreases ranging from 0.2% to 6.6%. The rate changes were unchanged from the amount initially requested by the companies.

There are other aspects of the impact of insurance on physicians that are not shown in the chart. First, although the figure involves some estimation, it appears that 7% (down from 42% in 2011) of the admitted market (by premium) either did not file rate changes during Calendar Year 2012 or withdrew their filings before they were resolved with the Office. The impact of the rate changes experienced by the average physician is somewhat diluted for the calendar year (as shown in the 'Average Rate Change for Doctors in Florida' row).

The specific set of physicians malpractice filings resolved in 2012 is also shown below:

### 2012 Rate Filings for Physicians Market Segment

Company	Policy Count	Premium Reported (\$000s)	Rate Change Indicated	Rate Change Proposed	Rate Change Approved	Resolution Date
Doctors Company, an Interinsurance Exchange	10,676	\$130,432	11.4%	0.0%	0.0%	10/12/2012
MAG Mutual Insurance Company	1,392	\$56,670	9.1%	0.0%	0.0%	2/27/2012
Florida Doctors Insurance Company	1,435	\$30,484	1.2%	0.0%	0.0%	5/3/2012
The Medical Protective Company	974	\$13,176	2.0%	0.0%	0.0%	3/12/2012
The Medical Protective Company	878	\$13,012	0.0%	-0.2%	-0.2%	9/13/2012
Healthcare Underwriters Group of Florida	603	\$8,664	6.4%	0.0%	0.0%	2/29/2012
Physicians Insurance Company	830	\$7,922	-1.9%	-6.6%	-6.6%	2/10/2012

<b>Company</b>	<b>Policy Count</b>	<b>Premium Reported (\$000s)</b>	<b>Rate Change Indicated</b>	<b>Rate Change Proposed</b>	<b>Rate Change Approved</b>	<b>Resolution Date</b>
Fair American Insurance and Reinsurance Company	331	\$3,445	0.0%	0.0%	0.0%	8/31/2012
Florida Medical Malpractice JUA	191	\$2,467	3.9%	-2.1%	-2.1%	5/3/2012
Darwin National Assurance Company	354	\$2,194	-3.6%	0.0%	0.0%	8/1/2012
Preferred Professional Insurance Company	42	\$2,166	5.3%	0.0%	0.0%	6/3/2012
Philadelphia Indemnity Insurance Company	22	\$622	0.0%	0.0%	0.0%	12/4/2012
Health Care Indemnity Inc.	1	\$428	1.9%	0.0%	0.0%	1/27/2012
MedMal Direct Insurance Company	73	\$232	0.0%	0.0%	0.0%	3/8/2012
National Union Fire Insurance Company of Pittsburgh, PA	16	\$93	8.5%	0.0%	0.0%	5/3/2012
Fair American Insurance and Reinsurance Company	16	\$93	0.0%	0.0%	0.0%	8/29/2012
Cincinnati Indemnity Co.	0	\$0	0.0%	0.0%	0.0%	2/10/2012
Cincinnati Insurance Co.	0	\$0	0.0%	0.0%	0.0%	2/10/2012
ProAssurance Indemnity Company	0	\$0	0.0%	0.0%	0.0%	1/13/2012
Great Divide Insurance Company	0	\$0	0.0%	0.0%	0.0%	11/21/2012
<b>Average Rate Change for Doctors Insured by Above Companies:</b>			<b>7.9%</b>	<b>-0.3%</b>	<b>-0.3%</b>	

<b>Company</b>	<b>Policy Count</b>	<b>Premium Reported (\$000s)</b>	<b>Rate Change Indicated</b>	<b>Rate Change Proposed</b>	<b>Rate Change Approved</b>	<b>Resolution Date</b>
<b>Market Share (%) of Admitted Insurance Companies Not Making Rate Changes:</b>						
	<b>6.8%</b>					
<b>Average Rate Change for Doctors in Florida (Insured by Admitted Companies):</b>						
			<b>7.4%</b>	<b>-0.3%</b>	<b>-0.3%</b>	

It is also instructive to look beyond just a single calendar year. There have been a substantial number of rate filings so far in 2013. The table below shows the latest effective rate change for admitted carriers writing physicians and surgeons medical malpractice. As with the table of rate filings resolved in 2012, only filings involving a definitive action by the Office, either an approval or disapproval, are included. Filings withdrawn by carriers are not. While a substantial portion of the market has made fairly recent rate filings with rate changes becoming effective in 2013, there are some carriers that have not carried a filing to completion since 2011. Also, a small number of carriers have received approval for rate increases.

### Physicians and Surgeons Carriers and Last Base Rate Filing Made by Each

<b>Company</b>	<b>Rate Change Effective Date</b>	<b>Reported Earned Premium (000's)</b>	<b>Cumulative Market Share</b>	<b>Policy Count</b>	<b>Proposed Rate Change</b>	<b>Final Rate Change</b>
The Doctors Company, an Interinsurance Exchange	1/1/2013	\$130,432	44%	10,676	0.0%	0.0%
MAG Mutual Insurance Company	6/1/2013	\$52,720	62%	1,133	0.0%	0.0%
Florida Doctors Insurance Company	6/1/2013	\$30,484	73%	1,307	0.0%	0.0%
ProAssurance Casualty Company	7/1/2013	\$25,986	82%	1,523	0.0%	0.0%
Medical Protective Company	7/1/2013	\$13,019	86%	1,331	0.0%	0.0%

Company	Rate Change Effective Date	Reported Earned Premium (000's)	Cumulative Market Share	Policy Count	Proposed Rate Change	Final Rate Change
Healthcare Underwriters Group of Florida	4/1/2012	\$8,664	89%	603	0.0%	0.0%
Physicians Insurance Company	2/15/2012	\$7,719	95%	897	6.5%	6.5%
National Fire Insurance Company of Hartford	2/1/2008	\$4,700	96%	102	0.0%	0.0%
MedMal Direct Insurance Company	2/1/2013	\$2,368	97%	649	0.0%	0.0%
Medicus Insurance Company	4/1/2013	\$2,289	98%	269	0.0%	0.0%
Darwin National Assurance Company	8/15/2012	\$2,194	98%	354	0.0%	0.0%
Florida Medical Malpractice JUA	7/1/2013	\$2,040	99%	163	-1.1%	-1.1%
Preferred Professional Insurance Company	5/1/2013	\$955	99%	32	0.0%	0.0%
Health Care Indemnity Inc.	1/1/2012	\$738	100%	1	0.0%	0.0%
ProAssurance Indemnity Company	4/1/2011	\$675	100%	1	-4.3%	-4.3%
National Union Fire Insurance Company of Pittsburgh, PA	7/5/2012	\$93	100%	16	0.0%	0.0%
Cincinnati Indemnity Company	7/15/2012	\$0	100%	0	0.0%	0.0%
Continental Casualty Company	5/1/2011	\$0	100%	0	0.0%	0.0%
American Casualty Company of Reading, PA	5/1/2011	\$0	100%	0	0.0%	0.0%
United States Fire Insurance Company	7/1/2011	\$0	100%	0	0.0%	0.0%
<b>Totals:</b>						
Item Counts		\$285,076		19,057		
Premium Weighted Average Rate Change						0.15%
Policy Count Weighted Average Rate Change						0.29%

When the latest approved rates are taken together, as in the table, overall physician and surgeons medical malpractice rates have risen by roughly 0.2%. However, that figure is driven by more substantial increases approved for a small number of carriers.

A portion of the physicians insured in Florida (22%) are insured by either ‘surplus lines’ carriers or risk retention groups, neither of which are required to file rates in Florida. Further, physicians operating within a large hospital or chain of hospitals often effectively receive coverage through the hospital’s insurance program or policy. Physicians do have the option of posting collateral with the Department of Business and Professional Regulation in lieu of purchasing insurance. So, there are portions of the impact on the average physician that could not be quantified.

Another aspect of the malpractice market is that there are a number of other classes besides the physicians. There is a relatively small (as measured by insurance premium) volume of nurse, podiatrist, and other professionals that also purchase malpractice insurance, as well as a significant amount of coverage being sold to facilities. Rate filings for those sublines are covered in separate sections of this report.

Some insurance companies made changes that did not actually change their existing rates. For the most part, these generally involve adding rates for new classes or adding new coverage feature, etc. options. Details of the 2012 non-rate change filing activity are shown below.

### Non-Rate Change Physicians Filings Resolved in 2012

Company Name	Impact of Filing	Approval Date
Executive Risk Indemnity Inc	Program withdrawn	3/26/2012
American Healthcare Indemnity Company	Program withdrawn	3/30/2012
National Fire Insurance Company of Hartford	Program withdrawn	5/1/2012
Valiant Insurance Company	Program withdrawn	5/9/2012
Florida Doctors Insurance Company	Addition of cyber liability endorsement	6/14/2012
MedMal Direct Insurance Company	Adoption of several new classes	6/28/2012
Healthcare Underwriters Group of Florida	Added factors for separate, non-shared limits for medical assistants	11/15/2012
Insurance Services Office, Inc (ISO)	Removing language referencing a previously removed veto rights endorsement	12/18/2012

As some carriers with small or no premium volume were informed of the annual filing requirement in section 627.062, Florida Statutes, they elected to withdraw their programs. One company (Valiant) withdrew their program in connection with a restructuring.

## Analysis of the Other Healthcare Professionals Subline

As with the physicians malpractice subline, data for the remaining healthcare professionals subline is analyzed in this report. The other healthcare professionals subline includes all policies sold to non-physician professionals that are not primarily designed to cover the malpractice exposure of a facility or agency such as a hospital or nursing home.

### *Diversity of the Insureds in this Subline*

Insureds in this class range from dentists to nurses to chiropractors, even to physical therapists, with many other classes involved as well. Further, some insurers specialize in single segments such as chiropractors or podiatrists. Therefore, the market is highly fragmented and not susceptible to an analysis of marketplace dynamics. For reference, however, the analyses from the physicians malpractice section that have the most relevance in this segment are included here.

### *Comparisons to Other Leading States*

With that caveat, the next step is to summarize the relevant information that could be obtained from the NAIC financial database. The chart below shows the top ten states for this subline with respect to direct written premium.

#### 2012 Top Ten States by Other Healthcare Professionals Malpractice Direct Written Premium

State	2012 Other Healthcare Professionals Direct Written Premium	Other Healthcare Professionals Written Premium Rank	All Malpractice Written Premium Rank
California	\$127,539,823	1	2
New York	\$120,178,145	2	1
<b>Florida</b>	<b>\$85,258,281</b>	<b>3</b>	<b>5</b>
Texas	\$71,557,634	4	8
Pennsylvania	\$61,447,177	5	3
New Jersey	\$52,073,595	6	6
Illinois	\$48,664,284	7	4
Maryland	\$42,536,658	8	11
Ohio	\$39,711,404	9	7
Massachusetts	\$32,944,415	10	9



As with physicians malpractice, the state rankings differ somewhat from those of the overall malpractice market, but are also very similar overall.

The direct loss ratios of those top ten states are included below. The loss ratios range from around 5% in New York to 92% in New Jersey. Unfortunately, due to the gap typically observed between physician and other healthcare expense levels, other healthcare professionals combined ratios cannot be reasonably estimated using the NAIC database.

### **2012 Direct Loss Ratios of Top Ten Other Healthcare Professionals Malpractice States**

<b>Premium Rank</b>	<b>State</b>	<b>2012 Other Healthcare Professionals Direct Loss Ratio</b>
1	California	14.9%
2	New York	4.9%
<b>3</b>	<b>Florida</b>	<b>35.8%</b>
4	Texas	5.5%
5	Pennsylvania	21.8%
6	New Jersey	92.2%
7	Illinois	27.9%
8	Maryland	44.5%
9	Ohio	37.8%
10	Massachusetts	40.3%

#### *Leading Other Healthcare Professionals Carriers in Florida*

Key information on the carriers comprising 80% (by direct written premium) of the Florida other healthcare professionals malpractice market is shown on the following page. A quick comparison to the carriers comprising the physicians malpractice market will show that many of the companies are different from those serving physicians. Some companies such as #4 Podiatry Insurance Company, #7 NCMIC and #11 Fortress specialize in certain professions such as podiatrists, chiropractors or dentists. Other companies may specialize as well, but which do so is not determinable.

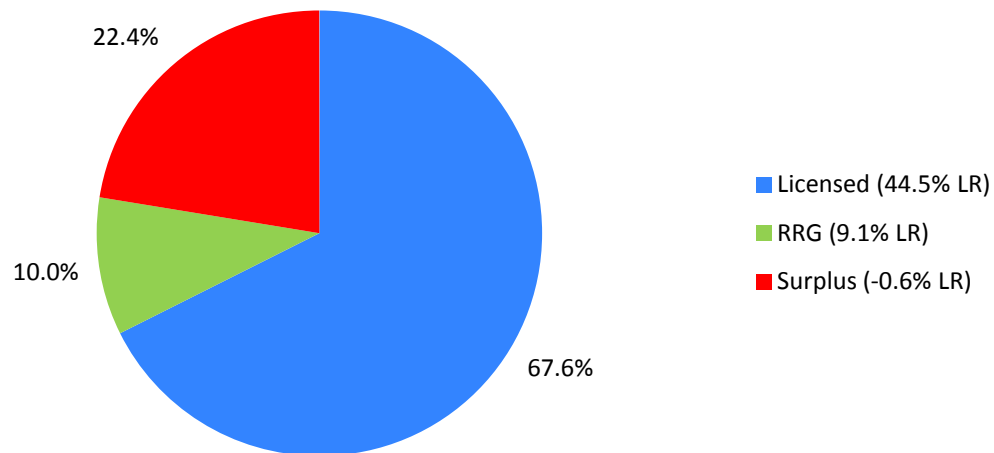
## Key 2012 Financial Information for Top Other Healthcare Professionals Malpractice Carriers in Florida

Company	Direct Florida Other Healthcare Written Premium	Written Premium Rank	Market Share	Cumulative Market Share	Direct Florida Other Healthcare Earned Premium	Direct Loss Ratio
American Casualty Company Of Reading, Pennsylvania	\$11,292,080	1	13.2%	13.2%	\$11,236,741	61.9%
First Professionals Insurance Company	\$9,201,727	2	10.8%	24.0%	\$9,023,242	71.3%
The Medical Protective Company	\$7,016,401	3	8.2%	32.3%	\$6,491,253	10.9%
Podiatry Insurance Company of America	\$6,778,741	4	8.0%	40.2%	\$6,773,154	39.7%
OMS National Insurance Company, Risk Retention Group	\$5,536,081	5	6.5%	46.7%	\$5,326,760	73.2%
Landmark American Insurance Company	\$5,084,004	6	6.0%	52.7%	\$5,260,038	18.5%
NCMIC Insurance Company	\$4,580,747	7	5.4%	58.0%	\$4,520,904	27.8%
Continental Casualty Company	\$3,886,219	8	4.6%	62.6%	\$4,020,301	45.1%
Evanston Insurance Company	\$3,841,523	9	4.5%	67.1%	\$4,192,922	47.7%
Columbia Casualty Company	\$3,139,995	10	3.7%	70.8%	\$3,558,064	13.3%
Fortress Insurance Company	\$2,970,355	11	3.5%	74.3%	\$2,799,398	45.7%
National Union Fire Insurance Company Of Pittsburgh, PA	\$2,808,469	12	3.3%	77.6%	\$2,981,711	-7.7%
Liberty Insurance Underwriters Inc.	\$2,220,629	13	2.6%	80.2%	\$2,231,647	48.8%

### *Composition of the Florida Other Healthcare Professionals Malpractice Market by Type of Insurer*

As with the physicians malpractice segment, a breakdown of the direct written premium by the type of carrier generating the premium is provided. This is designed to provide clarity on the markets most often served by surplus lines companies and risk retention groups. The chart is on the following page.

**Composition of Other Healthcare Professionals 2012 Florida Medical Malpractice Insurance Market (Written Premium) by Insurer Type-Including Loss Ratios for Each Type of Insurer**



This segment has somewhat higher participation by surplus lines carrier, but is still dominated by licensed property/casualty insurance companies. The loss ratios do differ significantly between segments, but one must recognize that the total premium volume in this segment is fairly low in comparison to the physicians segment at \$85 million.

***Other Healthcare Professionals Malpractice Rate Filing Data***

Information on rate filings for other healthcare professionals with the Office’s I-File system may be broken down between dentists, nurses, and what the I-File system considers to be other healthcare professionals. Since that breakdown is available, rate filing information for those major segments within the NAIC other healthcare professionals subline are presented separately.

**Dentists Malpractice Rate Filing Data**

Details of the dentists malpractice filings with rate impacts carried to completion are shown in the table on the following page. Overall, eighteen dentists malpractice rate change filings were processed by the Office during 2012 (plus six filings that were withdrawn). Eight dentists malpractice filings not involving a rate change were approved during 2012, for a total of 26 dentists filings resolved during 2012. In accordance with prior reports the affected portion of the market is reflected in policy counts (as reported in the filings) rather than premium.

## 2012 Rate Filings for Dentists Market Segment

Company	Policy Count	Rate Change Indicated	Rate Change Approved	Resolution Date
The Doctors Company, an Interinsurance Exchange	3540	0.0%	0.0%	10/5/2012
First Professionals Insurance Company	3538	12.1%	-2.0%	9/7/2012
Continental Casualty Company	1282	10.2%	5.7%	8/2/2012
Fortress Insurance Company	978	21.1%	16.6%	2/17/2012
National Union Fire Insurance Company of Pittsburgh, PA	746	10.9%	0.0%	6/21/2012
National Union Fire Insurance Company of Pittsburgh, PA	725	30.1%	12.2%	12/7/2012
The Medical Protective Company	461	8.8%	-0.5%	11/19/2012
The Medical Protective Company	382	6.8%	2.5%	2/17/2012
Cincinnati Indemnity Company	321	-0.7%	0.0%	1/30/2012
Ace American Insurance Company	157	-2.1%	-5.0%	1/13/2012
NCMIC Insurance Company	127	0.0%	4.0%	5/14/2012
Ace American Insurance Company	88	1.8%	0.0%	9/24/2012
The American Insurance Company	63	5.5%	0.0%	6/28/2012
Florida Medical Malpractice JUA	59	3.9%	-0.2%	5/3/2012
Philadelphia Indemnity Insurance Company	22	0.0%	0.0%	12/5/2012
State Farm Fire and Casualty Company	9	0.0%	0.0%	5/3/2012
State Farm Fire and Casualty Company	7	0.0%	0.0%	10/5/2012
Liberty Insurance Underwriters Inc.	1	0.0%	0.0%	12/7/2012
<b>Average Approved Rate Change:</b>			<b>2.1%</b>	

The companies carrying filings to completion during 2012 showed a 2.1% increase, contrasting with the average 2.7% decrease in 2011. Details on the total size of the dentists malpractice market are not included in the NAIC database, however it is known that there are additional sellers of dentists malpractice in Florida. The dentists rate filings resolved during 2012 that did not involve rate changes follow:

### Non-Rate Change Dentists Rate Filings Resolved in 2012

Company Name	Impact of Filing	Approval Date
National Casualty Company	Program withdrawn	4/12/2012
National Casualty Company	Program withdrawn	4/17/2012

<b>Company Name</b>	<b>Impact of Filing</b>	<b>Approval Date</b>
Associated Indemnity Corporation	Program withdrawn	4/23/2012
American Casualty Company of Reading, PA	Program withdrawn	5/1/2012
Cincinnati Insurance Company	Added form numbers for optional endorsements	9/14/2012
Cincinnati Indemnity Company	Added form numbers for optional endorsements	9/14/2012
The Doctors Company, an Interinsurance Exchange	Adoption of FPIC rates as part of merger	10/5/2012
Insurance Services Office, Inc (ISO)	Removing language referencing a previously removed veto rights endorsement	12/18/2012

As with the physicians subline, a number of carriers with minimal premium volume withdrew their program in lieu of fulfilling the annual filing requirement in section 627.062, Florida Statutes.

#### **Nurses Malpractice Rate Filing Data**

A small number of rate filings for nurses malpractice were processed by the Office during 2012. The disposition is shown in the table that follows. Two things about this segment are worth mentioning. First, this only includes rates for nurses that are not covered as part of a physician's policy. Second, this segment includes situations where some companies have different programs covering different types of nurses, so the program name is included in the table.

Overall, seven nurses malpractice rate change filings were processed by the Office during 2012. Six nurses malpractice filings not involving a rate change were approved during 2012 along with one withdrawn filing, for a total of fourteen nurses filings resolved during 2012.

#### **2012 Rate Filings for Nurses Market Segment**

<b>Company</b>	<b>Policy Count</b>	<b>Rate Change Indicated</b>	<b>Rate Change Approved</b>	<b>Resolution Date</b>	<b>Program</b>
Granite State Insurance Company	13819	27.7%	34.5%	6/14/2012	General Healthcare Providers
American Casualty Company of Reading, PA	3095	10.2%	5.2%	8/17/2012	Nurses
American Casualty Company of Reading, PA	364	-3.4%	0.0%	9/24/2012	Nurse Anesthetists
Florida Medical Malpractice JUA	164	3.9%	1.7%	5/3/2012	Nurses

Cincinnati Indemnity Company	5	-12.3%	-12.3%	2/10/2012	Nurses
Chicago Insurance Company	5	0.0%	0.0%	2/29/2012	Healthcare Services
Philadelphia Indemnity Insurance Company	0	0.0%	0.0%	12/5/2012	Nurses
<b>Average Approved Rate Change:</b>			<b>28.3%</b>		

Unlike the preceding groups of professionals, the nurses malpractice carriers generally supported a wide range of rate changes-ranging from a 12% decrease to a 35% increase. The nurses malpractice filings without a rate impact are included in the following table:

### **Non-Rate Change Nurses Rate Filings Resolved in 2012**

<b>Company Name</b>	<b>Impact of Filing</b>	<b>Resolution Date</b>	<b>Program</b>
Cincinnati Insurance Company	Deleting requirement that monoline coverage must be 3 year prepaid term	3/5/2012	Misc Professionals
Cincinnati Indemnity Company	Deleting requirement that monoline coverage must be 3 year prepaid term	3/5/2012	Misc Professionals
Continental Casualty Company	Program withdrawn	5/1/2012	Nurses
National Union Fire Insurance Co. of Pittsburgh, PA	Program withdrawn	5/4/2012	Nurse Midwives
American Casualty Company of Reading, PA	Various rules revised to achieve compliance	9/24/2012	Nurse Anesthetists
Insurance Services Office (ISO)	Removing language referencing a previously removed veto rights endorsement	12/18/2012	Allied Healthcare Professionals

As in the other segments, some programs with low or no premium volume were withdrawn in lieu of making annual rate filings.

### **Miscellaneous Healthcare Professionals Malpractice Rate Filing Data**

As mentioned earlier, the remaining professionals covered by medical malpractice involve a very diverse group of professionals. Some carriers have programs that are specific to just one or two types of professionals. Some carriers in this segment cover a wide array of professions. The chart below shows the rate changes processed by the Office during 2012 for this segment. The program is included since it generally describes the scope of each filing.

The Office processed 24 malpractice rate change filings for miscellaneous healthcare professionals during 2012. Ten filings were withdrawn before resolution. Twelve miscellaneous healthcare professionals filings not involving a rate change were approved during 2012, for a total of 46 filings resolved during 2012.

### 2012 Rate Filings for Miscellaneous Healthcare Professionals Segment

<b>Company</b>	<b>Policy Count</b>	<b>Rate Change Indicated</b>	<b>Rate Change Approved</b>	<b>Approval Date</b>	<b>Program</b>
American Casualty Company of Reading, PA	19,831	16.2%	8.0%	8/17/2012	Healthcare Providers Service Organization
Granite State Insurance Company	3,223	27.9%	35.6%	6/14/2012	General Healthcare Providers Professional Liability
Ace American Insurance Company	2,489	1.0%	0.0%	11/15/2012	Psychologists Professional Liability
NCMIC Insurance Company	1,893	2.9%	0.0%	1/30/2012	Chiropractic Professional Liability
Podiatry Insurance Company of America	1,118	4.7%	0.0%	12/4/2012	Podiatrists Professional Liability
The Doctors Company, an Interinsurance Exchange	615	11.4%	0.0%	10/12/2012	Other Healthcare Professionals
Ace American Insurance Company	238	3.5%	0.2%	5/31/2012	Allied Healthcare
Ace American Insurance Company	224	3.5%	0.0%	2/10/2012	Allied Health Medical Malpractice
Ace American Insurance Company	207	3.8%	0.0%	10/4/2012	Allied Healthcare
National Union Fire Insurance Company of Pittsburgh, PA	150	-59.3%	-59.3%	1/6/2012	Chiropractors Professional Liability
Ace American Insurance Company	93	-1.5%	0.0%	11/1/2012	Podiatrists Professional Liability
Ace American Insurance Company	79	-1.6%	15.0%	1/13/2012	Podiatrists Professional Liability
Campmed Casualty & Indemnity Company Inc.	62	25.0%	6.8%	8/20/2012	Podiatry Professional Liability

<b>Company</b>	<b>Policy Count</b>	<b>Rate Change Indicated</b>	<b>Rate Change Approved</b>	<b>Approval Date</b>	<b>Program</b>
American Home Assurance Company	37	0.0%	0.0%	4/12/2012	Psychoanalysts Professional Liability
Chicago Insurance Company	28	0.0%	-17.1%	2/29/2012	Medical Professional Liability (Other Healthcare Services)
Florida Medical Malpractice JUA	11	3.9%	3.4%	5/3/2012	Other Healthcare Professionals
Cincinnati Indemnity Company	10	-12.3%	-12.3%	2/10/2012	Other Healthcare Professionals
Cincinnati Insurance Company	10	-12.3%	-12.3%	2/10/2012	Other Healthcare Professionals
National Union Fire Insurance Company of Pittsburgh, PA	9	-5.3%	-5.3%	8/10/2012	Clinical Research Professional Liability
Great Divide Insurance Company	5	0.0%	0.0%	5/3/2012	Chiropractic Professional Liability
Beazley Insurance Company	0	0.0%	0.0%	2/24/2012	Dental Assistants and Hygienists
Ace American Insurance Company	0	0.0%	0.0%	9/10/2012	Misc Professionals
Everest National Insurance Company	0	0.0%	0.0%	11/8/2012	Other Healthcare Professionals
The Doctors Company, an Interinsurance Exchange	0	0.0%	0.0%	10/11/2012	Dental Hygienists
<b>Average Approved Rate Change:</b>			<b>8.8%</b>		

Many carriers in this segment did not receive rate changes, although some very substantial increases (one as high as 36%) and decreases (one as large as 59%) were approved during 2012.

A table is included on the following page that shows all the rule and related filings made in the other healthcare professionals (of all types except physicians, dentists, and nurses), which did not involve rate changes. These 12 filings covered different classes and involved different aspects of the rating procedure.



## Non-Rate Change Other Healthcare Professionals Rate Filings Resolved in 2012

Company	Impact of Filing	Approval Date	Program
Podiatry Insurance Company of America	Reformatted manual	2/10/2012	Other Healthcare Professionals
National Union Fire Insurance Company of Pittsburgh, PA	Clarified rule for military duty leave of absence credit	2/13/2012	Other Healthcare Professionals
Cincinnati Indemnity Company	Deleted 3 year term requirement for monoline coverage	3/5/2012	Other Healthcare Professionals
Philadelphia Indemnity Insurance Company	Added new classes and coverage options	3/23/2012	Allied Health Providers
Doctors Company	Program withdrawn	3/27/2012	Psychiatrists
Ace American Insurance Company	Program withdrawn	3/30/2012	Chiropractors
Continental Casualty Company	Program withdrawn	5/1/2012	Chiropractors
National Union Fire Insurance Company of Pittsburgh, PA	Program withdrawn	5/4/2012	Podiatrists
Great Divide Insurance Company	Clarified language for charges for vicarious liability	5/9/2012	Other Healthcare Professionals
ProAssurance Casualty Company	Adding podiatrists to existing program	5/17/2012	Podiatrists
Philadelphia Indemnity Insurance Company	Added new classes to program	10/4/2012	Medical Professional Liability
Insurance Services Office (ISO)	Removing language referencing a previously removed veto rights endorsement	12/18/2012	Other Healthcare Professionals

As in the other segments, some programs in programs with low or no premium volume were withdrawn in lieu of submitting annual rate filings.

### **Analysis of the Hospital Malpractice Subline**

Data for the hospital malpractice subline is analyzed in this report as well. The hospital subline includes all policies where the primary named insured is a hospital, even if the doctors employed by the hospital or having staff privileges within it are covered as well.

### *Diversity of the Insureds in this Subline*

The class of primary named insureds in the class is fairly homogeneous, other than differences between large and small hospitals. But significant differences exist between hospitals that include coverage for staff of various types on the policy and those that do not. More importantly, it is common for larger hospitals to purchase coverage excess of a high deductible or self-insured retention, which make their loss exposure very different from that of other hospitals. Therefore, this segment is viewed as being heterogeneous, and not susceptible to market share analysis.

### *Comparisons to Other Leading States*

With that caveat, the next is to summarize some key information from the NAIC financial database. The chart below shows the top ten states for this subline with respect to direct written premium.

#### **2012 Top Ten States by Hospital Malpractice Direct Written Premium**

<b>State</b>	<b>2012 Hospital Direct Written Premium</b>	<b>Hospital Written Premium Rank</b>	<b>All Malpractice Written Premium Rank</b>
New York	\$489,197,654	<b>1</b>	1
Pennsylvania	\$280,080,446	<b>2</b>	3
Massachusetts	\$132,990,065	<b>3</b>	9
California	\$83,155,539	<b>4</b>	2
Maryland	\$56,915,068	<b>5</b>	11
New Jersey	\$54,743,398	<b>6</b>	6
Illinois	\$46,074,480	<b>7</b>	4
Connecticut	\$45,309,571	<b>8</b>	18
Texas	\$39,237,680	<b>9</b>	8
North Carolina	\$37,578,962	<b>10</b>	14

Florida is not even in the top ten states (it is sixteenth in the nation) at \$28,424,453 in 2012 direct hospital written premium. That suggests that either there are: fewer insured hospital beds per capita in Florida than in other states, Florida hospitals use higher retentions and other forms of self-insurance, fewer Florida physicians obtain insurance through a hospital, or Florida hospital premiums are lower than in other states. It would appear to be unlikely, given Florida's population demographic, that it has fewer hospital beds. Further, while the physician premium comparisons in this report are associated with a different segment than hospitals, they would suggest the Florida premiums for hospitals are average or higher. Precise information on that subject is unfortunately not included in the NAIC financial database.

The direct loss ratios of those top ten states are included below. They range widely, -4% in Connecticut to 170% in Maryland. Unfortunately, due to the gap typically observed between expense levels of insurance programs covering physicians and insurance programs covering other healthcare professionals, hospital malpractice combined ratios cannot be reasonably estimated using the NAIC database.

### 2012 Direct Loss Ratios of Top Ten Hospital Malpractice States

		2012
Premium Rank	State	Hospital Direct Loss Ratio
1	New York	79.8%
2	Pennsylvania	51.4%
3	Massachusetts	60.8%
4	California	39.6%
5	Maryland	170.1%
6	New Jersey	25.9%
7	Illinois	16.4%
8	Connecticut	-4.0%
9	Texas	54.3%
10	North Carolina	24.8%

Due to its status as the sixteenth largest state, Florida is not in this chart. Its 2012 hospital malpractice loss ratio was 44.1%.

### *Leading Hospital Malpractice Carriers in Florida*

Key information on the carriers comprising 80% (by direct written premium) of the Florida hospital malpractice market is shown on the following page. A quick comparison to the carriers comprising the physicians malpractice market will show that different companies serve the hospitals than serve the professionals. Although only eight companies comprise 80% of the market, various forms of self-insurance such as deductibles and retentions, may result in the distributions of losses serviced by various companies being far different than the distribution of premium among them. The hospital malpractice market likely is not as concentrated as the table suggests it is. Certain segments, such as small hospitals may have different concentration levels, but data for such an analysis is not present in the NAIC financial database.

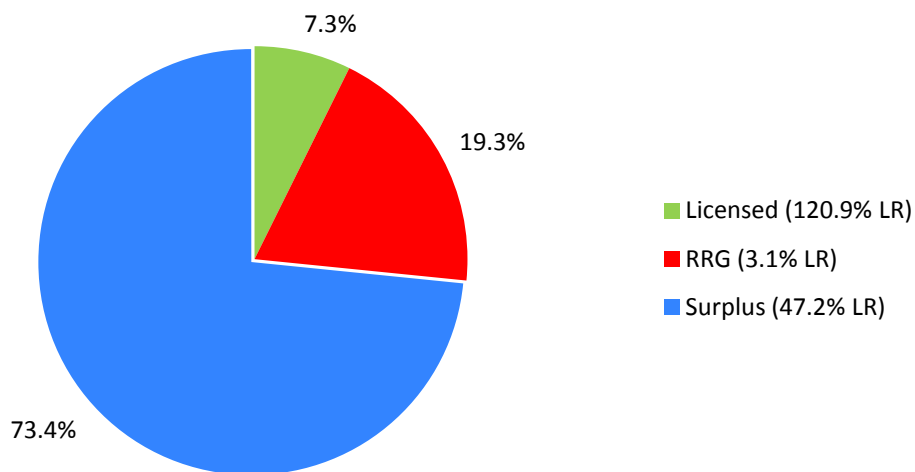
## Key 2012 Financial Information for Top Hospital Malpractice Carriers in Florida

Company	Direct Florida Hospital Written Premium	Written Premium Rank	Market Share	Cumulative Market Share	Direct Florida Hospital Earned Premium	Direct Loss Ratio
Columbia Casualty Company	\$4,908,756	1	17.3%	17.3%	\$5,436,328	100.8%
Steadfast Insurance Company	\$3,682,242	2	13.0%	30.2%	\$3,882,515	-32.1%
Endurance American Specialty Insurance Company	\$3,267,203	3	11.5%	41.7%	\$3,697,679	61.2%
Health Care Casualty RRG Inc	\$2,332,552	4	8.2%	49.9%	\$3,140,530	13.6%
Cruden Bay RRG Inc	\$2,309,325	5	8.1%	58.0%	\$2,309,325	-11.1%
Darwin Select Insurance Company	\$2,181,038	6	7.7%	65.7%	\$2,003,427	11.4%
Nautilus Insurance Company	\$2,114,461	7	7.4%	73.2%	\$1,603,806	-31.5%
Continental Casualty Company	\$2,038,271	8	7.2%	80.3%	\$2,038,517	184.6%

### *Composition of the Florida Hospital Malpractice Market by Type of Insurer*

A breakdown of the 2012 hospital malpractice direct written premium by the type of carrier generating the premium is provided below. This is, as with the other sublimes, designed to provide clarity on the markets most often served by surplus lines companies and risk retention groups.

### **Composition of 2012 Florida Hospital Malpractice Insurance Market (Written Premium) by Insurer Type-Including Loss Ratios for Each Type of Insurer**



This segment is dominated by surplus lines carriers, and only a small segment is covered by admitted property/casualty insurance companies. Further, the loss ratios are somewhat more volatile between groups. That might be due to a mixture of the potential for hospitals to encounter large claims and the relatively small hospital malpractice premium volume of the licensed and RRG segments.

### ***Hospital Malpractice Rate Filing Data***

As the table below shows, only three hospital malpractice rate filings were processed during 2012. All companies using medical malpractice rates are required to make an annual base rate filing. However, it is possible that the licensed carriers covering hospital risks are only covering hospitals that are eligible for individual risk rating under Rule 69O-170.019, Florida Administrative Code, and that they believe no filing is required because they have no base rates.

#### **2012 Rate Filings for Hospital Market Segment**

<b>Company</b>	<b>Policy Count</b>	<b>Rate Change Indicated</b>	<b>Rate Change Approved</b>	<b>Approval Date</b>
Cincinnati Indemnity Company	0	0.0%	0.0%	2/10/2012
Florida Medical Malpractice JUA	1	5.4%	0.0%	5/3/2012
Continental Casualty Company	1	27.5%	0.0%	6/21/2012
<b>Average Approved Rate Change:</b>			<b>0.0%</b>	

As with the other sublines, the Office processed some hospital malpractice rules filings during 2012 that did not involve rate changes, especially the withdrawal of small or no premium volume programs in lieu of making annual rate filings. They are shown below:

#### **Non-Rate Change Hospital Rate Filings Resolved in 2012**

<b>Company</b>	<b>Impact of Filing</b>	<b>Approval Date</b>
Executive Risk Indemnity Inc	Program withdrawn	3/26/2012
National Fire Insurance Company of Hartford	Program withdrawn	5/1/2012
Insurance Services Office (ISO)	Removing language referencing a previously removed veto rights endorsement	12/18/2012

In total, six hospital filings were processed by the Office during 2012, and one filing was withdrawn, for a total of seven hospital filings resolved.

## Analysis of the Other Facilities Subline

Data for the malpractice sold to medical facilities other than hospitals is analyzed in this section. This subline covers entities such as nursing homes, blood banks, and MRI facilities. Due to claims cost issues that have arisen in the past for nursing homes and other eldercare facilities and the large number of such facilities in Florida, there is some reason to suspect that a majority of the other facilities premium might be for eldercare liability. There is, however, no data in the NAIC financial database to validate or invalidate that conjecture.

### *Diversity of the Insureds in this Subline*

This subline is similar to the other professionals line in that it conceivably involves a highly heterogeneous population of insureds. In accordance with that fact, this report contains limited information on this subline and does not deal with the marketplace dynamics within the subline.

### *Comparisons to Other Leading States*

The following chart shows the top ten states for the other facilities subline with respect to direct written premium.

#### 2012 Top Ten States by Other Facilities Malpractice Direct Written Premium

State	2012 Other Healthcare Facilities Direct Written Premium	Other Healthcare Facilities Written Premium Rank	All Malpractice Written Premium Rank
California	\$78,627,482	1	2
New York	\$67,828,730	2	1
Pennsylvania	\$45,041,162	3	3
Illinois	\$43,988,596	4	4
<b>Florida</b>	<b>\$43,724,767</b>	<b>5</b>	<b>5</b>
Texas	\$36,630,511	6	8
Georgia	\$36,357,818	7	10
Ohio	\$29,813,760	8	7
New Jersey	\$26,921,704	9	6
Washington	\$26,333,771	10	16

Florida has the same rank (fifth) for other facilities as it does for all malpractice combined. In light of the large elderly population in Florida, that is somewhat surprising.

The direct loss ratios of those top ten states are shown below. As with hospitals, the loss ratios vary, although many of the states have loss ratios near 40%.

### 2012 Direct Loss Ratios of Top Ten Other Facilities Malpractice States

Premium Rank		State	2012 Other Healthcare Facilities Loss Ratio
1		California	35.3%
2		New York	49.9%
3		Pennsylvania	39.9%
4		Illinois	55.3%
<b>5</b>		<b>Florida</b>	<b>47.1%</b>
6		Texas	44.3%
7		Georgia	103.2%
<b>8</b>		Ohio	14.4%
9		New Jersey	47.7%
10		Washington	46.3%

### *Leading Other Facilities Malpractice Carriers in Florida*

Key information on the carriers comprising 80% (by direct written premium) of the Florida other facilities malpractice market is shown below. The other facilities segment has, within this analysis, a midrange number of carriers comprising 80% of the market. However, some of these insurers cover only certain portions of the other facilities segment. Ponce de Leon (#10, down from #3 in 2011) only sells to eldercare facilities. Per the filing types received by the Office, MAG Mutual (#11) insures no eldercare liability at all.

### Key 2012 Financial Information for Top Other Facilities Malpractice Carriers in Florida

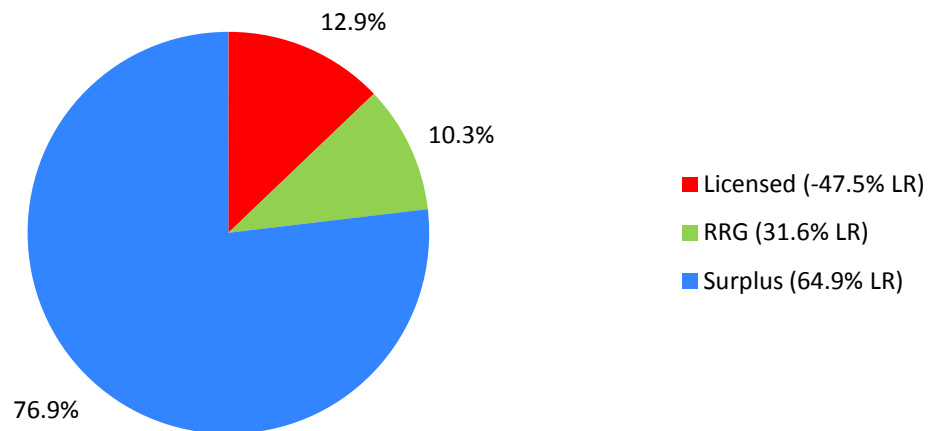
Company	Direct Florida Hospital Written Premium	Written Premium Rank	Market Share	Cumulative Market Share	Direct Florida Hospital Earned Premium	Direct Loss Ratio
Darwin Select Insurance Company	\$6,224,846	1	14.2%	14.2%	\$6,457,360	6.6%
Arch Specialty Insurance Company	\$4,521,746	2	10.3%	24.6%	\$3,870,254	80.5%
Admiral Insurance Company	\$4,412,497	3	10.1%	34.7%	\$2,748,091	202.8%
Lexington Insurance Company	\$3,642,809	4	8.3%	43.0%	\$4,011,563	110.8%
Nautilus Insurance Company	\$3,188,976	5	7.3%	50.3%	\$3,500,203	79.5%
American Alternative Insurance Corporation	\$2,782,910	6	6.4%	56.7%	\$2,854,944	-166.8%

Company	Direct Florida Hospital Written Premium	Written Premium Rank	Market Share	Cumulative Market Share	Direct Florida Hospital Earned Premium	Direct Loss Ratio
Ironshore Specialty Insurance Company	\$2,744,003	7	6.3%	62.9%	\$2,424,020	24.3%
Homeland Insurance Company of NY	\$2,665,007	8	6.1%	69.0%	\$2,033,408	29.5%
Evanston Insurance Company	\$2,082,523	9	4.8%	73.8%	\$2,144,512	140.9%
Ponce De Leon LTC RRG Inc.	\$1,928,074	10	4.4%	78.2%	\$2,714,208	23.1%
MAG Mutual Insurance Company	\$1,166,975	11	2.7%	80.9%	\$1,189,619	-18.1%

### *Composition of the Florida Other Facilities Malpractice Market by Type of Insurer*

A breakdown of the 2012 other facilities malpractice direct written premium by the type of carrier generating the premium is provided below. This last analysis of this nature is also designed to provide clarity on the markets most often served by surplus lines companies and risk retention groups.

#### **Composition of 2012 Florida Other Facilities Malpractice Insurance Market (Written Premium) by Insurer Type-Including Loss Ratios for Each Type of Insurer**



This segment is also dominated by surplus lines carriers, and only a small segment (although not as small a segment as in the hospital malpractice chart) is covered by admitted property/casualty insurance companies. The loss ratios appear to be generally acceptable and reasonable considering the premium volume in the smaller company types and the potential riskiness of the possible eldercare exposures.



### *Other Facilities Malpractice Rate Filing Data*

The other facilities rate filings processed by the Office during 2012 are listed below. The program name is included in the table as well. Also, many of the carriers making filings in this segment are Florida domestics (as shown by the shaded cells in the table).

#### **2012 Rate Filings for Other Facilities Market Segment**

<b>Company Name</b>	<b>Policy Count</b>	<b>Rate Change Indicated</b>	<b>Rate Change Approved</b>	<b>Approval Date</b>	<b>Program</b>
Ponce de Leon RRG	1,018	-1.1%	0.0%	11/8/2012	Assisted Living Facilities
General Insurance Company of America	323	2.0%	0.0%	6/21/2012	Healthcare Facilities
American Alternative Insurance Corporation	161	-7.6%	-7.6%	5/3/2012	Hospice and Home Health Care
The Doctors Company, an Interinsurance Exchange	91	0.0%	0.0%	12/4/2012	Other Healthcare Facilities
MAG Mutual Insurance Company	87	0.8%	0.0%	3/8/2012	Other Facilities
Ponce de Leon RRG	36	-1.1%	0.0%	11/8/2012	Home Healthcare & Hospice
Church Mutual Insurance Company	22	0.0%	0.0%	4/6/2012	Other Facilities
National Union Fire Insurance Company of Pittsburgh, PA	20	8.0%	0.0%	9/6/2012	Health Care Agency Professional Liability
Florida Doctors Insurance Company	11	-13.4%	-5.0%	6/14/2012	Healthcare Facilities
Cincinnati Indemnity Company	7	-5.8%	-5.8%	2/10/2012	Other Facilities
Ponce de Leon RRG	6	-1.1%	0.0%	11/8/2012	Nursing Homes
Ponce de Leon RRG	5	-1.1%	0.0%	11/8/2012	Retirement Communities and Independent Living Facilities
Florida Medical Malpractice JUA	1	5.4%	0.0%	5/3/2012	Other Facilities
Cincinnati Indemnity Company	0	0.0%	0.0%	2/10/2012	Assisted Living Facilities
Church Mutual Insurance Company	0	0.0%	0.0%	4/6/2012	Assisted Living Facilities
GuideOne America Insurance Company	0	0.0%	0.0%	6/7/2012	Assisted Living Facilities
Cincinnati Indemnity	0	0.0%	0.0%	2/10/2012	Nursing Homes

Company Name	Policy Count	Rate Change Indicated	Rate Change Approved	Approval Date	Program
Company					
Church Mutual Insurance Company	0	0.0%	0.0%	4/6/2012	Nursing Homes
GuideOne America Insurance Company	0	0.0%	0.0%	6/7/2012	Nursing Homes
<b>Average Approved Rate Change:</b>			<b>-0.8%</b>		

As with the other sublines, many filings simply reaffirmed the rates presently in use, although several filings for rate level decreases were approved during 2012. No rate increases were approved during 2012. The Office processed fewer other facilities malpractice rules (non-rate change) filings than rate filings during 2012. They are shown below:

### Non-Rate Change Other Facilities Rate Filings Resolved in 2012

Company Name	Impact of Filing	Approval Date	Sub-Line
Twin City Fire Insurance Company	Program withdrawn	3/22/2012	Nursing Homes
Diamond State Insurance Company	Program withdrawn	4/23/2012	Other Facilities
National Union Fire Insurance Co. of Pittsburgh, PA	Program withdrawn	5/4/2012	Other Facilities
Chicago Insurance Company	Program withdrawn	5/7/2012	Other Facilities
Chicago Insurance Company	Program withdrawn	5/7/2012	Nursing Homes
Insurance Services Office (ISO)	Removing language referencing a previously removed veto rights endorsement	12/18/2012	Assisted Living Facilities
Insurance Services Office (ISO)	Removing language referencing a previously removed veto rights endorsement	12/18/2012	Nursing Homes
Insurance Services Office (ISO)	Removing language referencing a previously removed veto rights endorsement	12/18/2012	Other Facilities

As in the hospital subline, several companies with low volume withdrew their programs in lieu of making annual rate filings. Nineteen other facilities base rate filings, sixteen of which were

affirmation of existing rates rather than involving rate changes, were processed by the Office during 2012. Eight filings that did not directly involve rates were processed as well, for a total count of twenty-seven other resolved facilities filings that the Office processed during 2012. In addition, eleven filings were withdrawn by the company for a total of 38 filings resolved in 2012.

## **Data from the Professional Liability Claim Reporting System**

The Office collects closed claim data reported by insurers and self insured entities. For the purposes of the report, all claims closed during the period January 1, 2012 to December 31, 2012 were analyzed. The database contains other relevant dates including the occurrence date and the report date of each claim. Although this section covers claims resolved in 2012, it is most probable that the occurrence date and/or report date of a specific claim are from a previous year.

This is part of the nature of the medical malpractice insurance industry - there can be a considerable amount of time between when an accident occurs and when final payment is made. For the claims closed in 2012, the average difference between occurrence and when the claim was filed was 502 days, and the difference between when a claim was filed and when the claim was closed was 1210 days.

This reported data is of limited use for evaluating the profitability, solvency, or the adequacy of rates of a specific company. The data do not include “open” claims or the entire universe of outstanding claims. As well, trend in either the amount of time to close a claim or in the amount of claim payments cannot be systematically evaluated.

To satisfy the statutory requirements of Section 627.912(6)(b)&(c), Florida Statutes, this portion of the report is divided into two sections: 1) the statewide data for all medical malpractice claims in Florida (the ‘Medical Malpractice Insurance Claims in Florida’ section); and 2) the data for the 25 companies that represent 80% of the Florida market (the ‘Closed Claims of Leading Carriers in Florida’ section). In the closed claim reports in the system, insurers are asked to fill out 72 different fields of data. Some of these fields are required fields (i.e. claim number) while some are not (i.e. institution code). This report focuses on roughly 25 fields and is not intended to represent the entirety of information reported to the Office.

### ***Medical Malpractice Insurance Claims in Florida***

In 2012, the Florida medical malpractice insurance companies reported 2,491 closed claims in Florida. Of those 2,491 claims closed in 2012, 1,300 claims were filed by females and 1,191 claims were filed by males.

### Injury Location

One of the data elements reported is the injury location, which has been divided into 10 different categories. The injury location for claims closed in 2012 is distributed as follows:

#### **Location of Injury for Claims Closed in 2012**

<b>Location</b>	<b>Number of Claims</b>
Hospital Inpatient Facility	1138
Physician's Office	531
Emergency Room	341
Other Outpatient Facility	157
Hospital Outpatient Facility	100
Other Location	78
Patient's Home	54
Other Hospital/Institution	46
Nursing Home	31
Prison	15
<b>Total</b>	<b>2491</b>

The data show that the largest number of claims came from hospital inpatient facilities, which together with physicians' offices and emergency rooms generated roughly 81% of all claims closed in 2012 (up from 79% in 2011 and 2010).

### Severity

The reporting data also contains a field to populate a "severity" field which ranks the types of injuries/medical problems into nine different categories ranging from "1" being the most minor physical ailments, to "9" indicating death of the insured. A brief summary of these categories follows:

- 1 – Emotional Only: fright, no physical damage,
- 2 – Temporary: slight lacerations
- 3 – Temporary: minor infections, missed fracture, fall in hospital
- 4 – Temporary: major burns, drug reaction
- 5 – Permanent: minor – loss of finger, damage to organs
- 6 – Permanent: significant – deafness, loss of limb, loss of eye
- 7 – Permanent: grave – paraplegia, blindness, loss of limbs
- 8 – Permanent: grave – quadriplegia, brain damage
- 9 – Permanent: death

The chart on the following page tabulates the frequencies of the various claims severities for claims resolved in Florida in 2012:

## Severity Codes for Claims Closed in 2012

Severity Class	Number of Claims
1- Emotional Only	145
2 - Slight lacerations	122
3 - Minor infections, missed fracture, etc.	441
4 - Major burns, drug reaction	292
5 - Loss of finger, damage to organs	284
6 - Deafness, loss of limb, loss of eye	223
7- Paraplegia, blindness, loss of limbs	195
8 Quadriplegia, brain damage	92
9 – Death	697
<b>Total</b>	<b>2,491</b>

Category “9”, meaning death, is the leading category for medical malpractice claims settled, and accounted for nearly 30% of all of the claims closed in 2012 (for 2011 it also represented slightly less than 30% of the total).

### Geographic Distribution

Among the other data required to be filed are data that show the insured’s residence including county, address and zip code. Not surprisingly, the largest percentage of closed claims arises from areas that have the highest populations. The 10 counties with the most closed medical malpractice claims in 2012 are shown below:

### 2012 Closed Claims in Top 10 Counties

Rank	County	Number of Claims	2011 County this Rank
1	Dade	334	Dade
2	Broward	238	Hillsborough
3	Hillsborough	235	Broward
4	Palm Beach	232	Palm Beach
5	Pinellas	201	Pinellas
6	Duval	104	Orange
7	Orange	102	Duval

Rank	County	Number of Claims	2011 County this Rank
8	Lee	91	Polk
9	Polk	69	Lee
10	Pasco	64	Volusia

The top nine counties are the same counties that were in the 2011 top nine counties (the top seven also match the 2010 top seven counties), although some are in a different order. Fourteen Florida counties had no closed claims reported through the closed claim reporting system during 2012.

**Insurance Companies with the Most Closed Claims**

In 2012, 153 entities reported closed medical malpractice claims. Of those reporting, 56 only closed either one or two claims. Conversely, 41 reported ten or more claims. They are:

**Entities Reporting Ten or More Closed Claims in 2012  
(25 Leading Carriers Listed in Bold)**

Location	Number of Claims
Doctors Company Group	479
<b>First Professionals Insurance Company, Inc</b>	<b>299</b>
<b>Doctors Company, An Interinsurance Exchange</b>	<b>161</b>
<b>Anesthesiologists Professional Assurance Company</b>	<b>19</b>
Health Care Indemnity, Inc. (Excluded from remainder of report)	330
<b>MAG Mutual Insurance Company</b>	<b>144</b>
<b>Florida Doctors Insurance Company</b>	<b>116</b>
Continental Casualty Company	114
<b>Lexington Insurance Company (Hospital claims)</b>	<b>113</b>
<b>Lexington Insurance Company</b>	<b>102</b>
<b>ProAssurance Casualty Company</b>	<b>71</b>
<b>The Medical Protective Company</b>	<b>62</b>
<b>Podiatry Insurance Company Of America</b>	<b>44</b>
Not Provided, Medical Practitioner	40
Lee Memorial Health System, Hospital	37
North Broward Hospital District, Hospital	36
<b>Healthcare Underwriters Group Of Florida</b>	<b>32</b>
Emcare Holdings, Inc., Medical Practitioner	32
Fortress Insurance Company	32
Everest Indemnity Insurance Company	29

<b>Location</b>	<b>Number of Claims</b>
Baptist Health South Florida, Hospital	27
<b>Columbia Casualty Company</b>	<b>26</b>
<b>Applied Medico-legal Solutions Risk Retention Group, Inc.</b>	<b>26</b>
Mount Sinai Medical Center, Hospital	25
<b>Admiral Insurance Company</b>	<b>23</b>
Florida Medical Malpractice JUA	23
<b>National Union Fire Insurance Co. Of Pittsburgh, PA</b>	<b>21</b>
<b>Physicians Insurance Company</b>	<b>20</b>
Hudson Specialty Insurance Company	20
Univ Of FL JHMHC Self-Insurance Program, Medical Practitioner	16
<b>Darwin Select Insurance Company</b>	<b>16</b>
University Community Hospital, Hospital	16
Holy Cross Hospital, Inc., Hospital	14
<b>Evanston Insurance Company</b>	<b>14</b>
Florida Hospital, Hospital	13
Darwin National Assurance Company	13
National Fire And Marine Insurance Company	13
Mercy Hospital Miami, Hospital	13
<b>OMS National Insurance Company, Risk Retention Group</b>	<b>12</b>
H. Lee Moffitt Cancer Center & Research Institute, Inc., Hospital	12
Public Health Trust Of Miami-Dade County, Hospital	11
Cincinnati Insurance Company	10

The companies in bold type are among the 25 companies comprising 80% of the direct written premium in Florida in 2012. As the data shows, although these companies are in the top 25 of direct written premium calculations, they are not all necessarily the ones with the most closed claims in 2012. This could be in part due to the long-tailed nature of the business, or in part due to the prevalence of large deductible insurance plans in hospital insurance policies and policies covering some large physician groups. It should be noted however, that 18 of the 41 entities with the most closed claims in 2012 are in the sample of 25 companies with the most premium volume. Also, 40 of the claims reported did not identify the entity.

### **Financial Data**

Perhaps the most important information contained in the report is the financial data related to insurance company claims. The amount paid by the insured is reported in three broad categories: 1) the indemnity amount paid to the plaintiff; 2) the amount of loss adjustment expenses; and 3) economic and non-economic losses. The data elements for all claims closed in 2012 combined were as shown in the table on the next page.

## Financial Data from Closed Claim System - Aggregation of All Claims Closed in 2012

Category of Payment	Amount
Indemnity Paid	\$439,166,594
LAE Paid to Defense Counsel	\$128,361,918
All Other LAE Paid	\$31,321,643
Non-Economic Loss	\$140,941,965
Economic Loss - Incurred to Date by Claimant	\$107,937,145
Economic Loss - Anticipated by Claimant	\$168,224,676

The total of the indemnity and (loss adjustment expenses) LAE categories is \$598,850,155 (down 29% from 2011), which represents the total amount paid by insurance companies, self-insurance companies, and surplus lines companies for claims settled in 2012. It is important to remember that in many instances (approximately 40% of the time), the claims closed showed indemnity payments of \$0 to the plaintiff. However, even in these instances, it is likely the carrier still incurred loss adjustment expense, and sometimes other expenses.

The other area of the financial data segregates the amount that the company paid for economic versus non-economic damages to plaintiffs. The data reported in the 2012 closed claims shows \$140,941,965 in non-economic loss (up approximately 15% from 2011, which in turn was down 28% from 2010) and combined incurred and anticipated economic loss of \$276,161,821 (up 7% from 2011).

It is important to remember, though, that the non-economic and economic fields are not used on all claims (witness that the total of economic and non-economic loss of \$417,103,786 represents only 95% of the total loss paid), so the year-to-year comparisons may be distorted by any increase or decrease in the percentage of claims for which data is recorded. There may also be other explanations. One possible reason for the discrepancy pertains to the forward looking estimates included in the economic damages. Differences in methodologies for equating current dollar losses to future losses for reporting purposes can easily skew the results to make them appear unequal.

Apart from the time-value of money, and estimating future losses (and rate of inflation) there is some ambiguity in the estimate of the numbers themselves. Although claims can be closed for a variety of different reasons like a court ruling, or an outcome from an arbitration hearing, the majority of claims are settled out of court. Often these settlements stipulate a flat payment to the plaintiff, and do not distinguish what portion of the payment by the insurer is for economic versus non-economic damages. Therefore, companies may estimate these numbers to complete the report. A few companies reported data with no estimates, leaving these fields blank.



Assuming the numbers are accurate within the noted limitations, the amount paid in economic losses (\$276 million) is more than the amount of non-economic losses paid (\$141 million).

### ***Closed Claims of Leading Carriers in Florida***

Throughout much of this report, the legislative mandate has focused on the top 25 leading writers of medical malpractice in the state of Florida in 2012. This section provides an analysis of the timing sequence involved in reporting and closing a claim, as well as the paid amounts of closed claims to plaintiffs by these companies. Because not all the sample companies distinguished between economic versus non-economic claims, this data is not included. Legal settlements often state a specified amount, and do not apportion the final settlement amount based on economic versus non-economic damages.

#### **The Timing of the Claim**

There are two main time sequences important to the resolution of a claim: 1) the amount of time between the incident occurrence and the reporting of the claim to the insurance company; and 2) the amount of time between reporting the claim, and the final disposition of the claim. For these two elements, 23 of the 25 leading writers (Southwest Physicians RRG and American Casualty Company of Reading, Pennsylvania did not report any closed claims in 2012) of medical malpractice insurance in Florida reported the average times shown in the table below:

### **Timing of Claims Closed by Leading Carriers in Florida During 2012**

<b>Company</b>	<b>Total Days</b>	<b>Report to Disposition</b>	<b>Occurrence to Report</b>
Doctors Company Group	1,486	1004	483
First Professionals Insurance Company, Inc	1,582	1039	543
The Doctors Company, An Interinsurance Exchange	1,362	753	609
Anesthesiologists Professional Assurance Company	1,515	1219	297
MAG Mutual Insurance Company	1,444	896	548
Florida Doctors Insurance Company	1,134	593	541
The Medical Protective Company	1,374	803	571
ProAssurance Casualty Company	1,213	697	516
Lexington Insurance Company	1,310	950	360
Columbia Casualty Company	931	543	389
Evanston Insurance Company	1,956	1584	372
Darwin Select Insurance Company	944	705	238
MedMal Direct Insurance Company	805	165	640
Samaritan Risk Retention Group, Inc.	897	280	618

Company	Total Days	Report to Disposition	Occurrence to Report
Podiatry Insurance Company Of America	1,153	635	518
Physicians Insurance Company	1,020	642	377
Healthcare Underwriters Group Of Florida	1,383	798	585
Admiral Insurance Company	1,045	550	495
National Union Fire Insurance Co. Of Pittsburgh, PA	1,394	1033	361
Ophthalmic Mutual Insurance Company (a RRG)	1,245	272	974
Homeland Insurance Company Of New York	968	577	392
Physicians Professional Liability Risk Retention Group, Inc.	1,287	476	811
Lancet Indemnity RRG, Inc.	936	605	331
Applied Medico-legal Solutions Risk Retention Group, Inc.	1,273	728	545
OMS National Insurance Company, Risk Retention Group	1,189	736	453
Nautilus Insurance Company	883	417	467
<b>Average</b>	<b>1,210</b>	<b>708</b>	<b>502</b>

This table reinforces the “long-tail” aspect of medical malpractice insurance as it may take up to five years or longer between the occurrence of an accident and actual payment. For all claims (including those other entities) closed in 2012, the total number of days between occurrence and final disposition averaged 1,210 days (3.3 years) with a range from thirteen days disposition to a maximum of 16,284 days (44.6 years).

### *The Plaintiff Settlement*

Simply because a claim is “closed” does not mean that the plaintiff received payment. Whether due to an outcome of the courts, arbitration, or a plaintiff discontinuing pursuit of a claim, some claims are closed without any payment settlement. The data below does show differences among the companies in terms of the percentage of closed claims that were settled, or resulted in the payment to the plaintiff.

### **Breakdown of Claims Reported by Leading Carriers between Claims Closed With and Without Payments**

Company	Claims With Indemnity Payments	Total Claims	Percentage With Indemnity Payments
Doctors Company Group	207	479	43.2%
First Professionals Insurance Company, Inc	155	299	51.8%
The Doctors Company, An Interinsurance Exchange	42	161	26.1%
Anesthesiologists Professional Assurance Company	10	19	52.6%

<b>Company</b>	<b>Claims With Indemnity Payments</b>	<b>Total Claims</b>	<b>Percentage With Indemnity Payments</b>
MAG Mutual Insurance Company	60	144	41.7%
Florida Doctors Insurance Company	90	116	77.6%
The Medical Protective Company	29	62	46.8%
ProAssurance Casualty Company	27	71	38.0%
Lexington Insurance Company	55	100	55.0%
Columbia Casualty Company	24	26	92.3%
Evanston Insurance Company	12	14	85.7%
Darwin Select Insurance Company	5	16	31.3%
MedMal Direct Insurance Company	6	8	75.0%
Samaritan Risk Retention Group, Inc.	5	9	55.6%
Podiatry Insurance Company Of America	20	44	45.5%
Physicians Insurance Company	20	20	100.0%
Healthcare Underwriters Group Of Florida	12	32	37.5%
Admiral Insurance Company	21	23	91.3%
National Union Fire Insurance Co. Of Pittsburgh, PA	8	21	38.1%
Ophthalmic Mutual Insurance Company (a RRG)	2	2	100.0%
Homeland Insurance Company Of New York	8	9	88.9%
Physicians Professional Liability Risk Retention Group, Inc.	1	6	16.7%
Lancet Indemnity RRG, Inc.	5	5	100.0%
Applied Medico-legal Solutions Risk Retention Group, Inc.	18	26	69.2%
OMS National Insurance Company, Risk Retention Group	4	12	33.3%
Nautilus Insurance Company	4	4	100.0%
<b>Total</b>	<b>643</b>	<b>1,249</b>	<b>51.5%</b>

### **Payment Amounts**

Companies are also required to report payment amounts. Some companies did segregate payments between economic and non-economic loss. Therefore, indemnity payments are not split between economic and non-economic loss in the table following. The claims reported closed by the 25 leading companies in 2012 contained the claim payments summarized on the following page.

**Breakdown of Loss and LAE Paid on 2012 Closed Claims by Leading Carriers in Florida**

<b>Company</b>	<b>Indemnity Payments</b>	<b>LAE Paid to Defense Counsel</b>	<b>All Other LAE Paid</b>
Doctors Company Group	\$42,607,888	\$24,217,472	\$6,934,321
First Professionals Insurance Company, Inc	\$30,117,925	\$11,871,327	\$6,599,637
The Doctors Company, An Interinsurance Exchange	\$10,908,463	\$11,823,640	\$89,804
Anesthesiologists Professional Assurance Company	\$1,581,500	\$522,505	\$244,880
MAG Mutual Insurance Company	\$18,868,269	\$7,084,332	\$2,882,467
The Doctors Company, An Interinsurance Exchange	\$10,908,463	\$11,823,640	\$89,804
Florida Doctors Insurance Company	\$17,455,829	\$5,600,095	\$0
The Medical Protective Company	\$10,932,250	\$2,318,115	\$860,470
ProAssurance Casualty Company	\$6,108,999	\$1,865,056	\$756,913
Lexington Insurance Company	\$18,927,117	\$8,109,560	\$1,318,377
Columbia Casualty Company	\$5,727,501	\$740,282	\$119,697
Evanston Insurance Company	\$9,088,499	\$1,243,133	\$594,641
Darwin Select Insurance Company	\$1,356,907	\$994,923	\$0
MedMal Direct Insurance Company	\$893,000	\$108,334	\$0
Samaritan Risk Retention Group, Inc.	\$1,046,000	\$155,378	\$129,633
Podiatry Insurance Company Of America	\$2,564,999	\$1,479,565	\$251,939
Physicians Insurance Company	\$2,951,500	\$720,403	\$314,793
Healthcare Underwriters Group Of Florida	\$2,383,500	\$2,298,717	\$654,274
Admiral Insurance Company	\$2,750,328	\$684,283	\$545,750
National Union Fire Insurance Co. Of Pittsburgh, PA	\$1,962,500	\$807,616	\$51,662
Ophthalmic Mutual Insurance Company (a RRG)	\$350,000	\$0	\$0
Homeland Insurance Company Of New York	\$1,312,626	\$448,372	\$0
Physicians Professional Liability Risk Retention Group, Inc.	\$180,000	\$65,392	\$0
Lancet Indemnity RRG, Inc.	\$219,500	\$324,777	\$0

<b>Company</b>	<b>Indemnity Payments</b>	<b>LAE Paid to Defense Counsel</b>	<b>All Other LAE Paid</b>
Applied Medico-legal Solutions Risk Retention Group, Inc.	\$2,281,652	\$1,342,350	\$85,847
OMS National Insurance Company, Risk Retention Group	\$1,925,750	\$295,958	\$86,438
Nautilus Insurance Company	\$350,000	\$128,792	\$15,713

## Notes on Appendices

Included in the appendices are:

- Details of the various premiums priced as part of the state-to-state premium comparison in Appendix A;
- Written premium, earned premium, incurred loss and incurred DCC for the entire medical malpractice line of business, provided for all the U.S. states and territories (to facilitate any comparison across all fifty states) in Appendix B;
- A ranking of the states and territories by the loss and DCC ratio in Appendix C;
- Written premium, earned premium, incurred loss and loss ratios for just the physicians malpractice subline, provided for all the U.S. states and territories (also to facilitate any comparison across all fifty states) in Appendix D;
- The written premium by state for the top five (by premium) states for each of the companies comprising 80% of the overall medical malpractice market in Appendix E (in a convention designed to focus on the key data exhibits E and F, the data for Florida is highlighted rather than bolded, and the names of Florida-domiciled carriers are highlighted as well); and
- Loss and DCC ratios for the top five states of each of the malpractice carriers comprising 80% of the market (to facilitate state-by-state comparisons within a company-subject to the reality that lower premium volume states' loss and DCC ratios are subject to considerable random fluctuation) in Appendix F.

## Summary

Section 627.912(6)(b)&(c), Florida Statutes, requires the Office to publish an annual report of the state of the medical malpractice insurance market in Florida. The legislation, codified in Section 627.912(6)(b)&(c), Florida Statutes, requires the Office to draw upon three data resources:

- 1) The NAIC annual financial statement filings;
- 2) The closed claims database maintained by the Office; and
- 3) The rate filings approved by the Office during the previous year.

This report satisfies the requirements codified in Section 627.912(6)(b), Florida Statutes.

## **Appendix A**

### **Detailed State-to-State Physicians Malpractice Premium Comparisons**

State	Company	Territory	Family	Emergency	Orthopedist	Obstetrician
			Practitioner	Room		
California	Norcal Mutual	Riverside, San Bernardino	17,578	31,711	51,566	71,082
California	Norcal Mutual	Fresno, Madera, Monterey, San Mateo, Santa Clara, Santa Cruz	7,218	13,022	21,174	29,188
California	Medical Insurance Exchange	LA, Kern, Orange, Riverside, San Bernardino	12,704	28,584	38,112	63,521
California	Medical Insurance Exchange	All but high territory, San Diego, Ventura	7,473	16,814	22,419	37,365
California	Doctors Company	Riverside, San Bernardino	11,009	36,507	43,208	67,235
California	Doctors Company	Alameda, Monterey, San Benito, San Francisco, Santa Clara, Santa Cruz etc.	4,735	11,257	17,120	25,190
Florida	Doctors Company	Dade	42,772	90,479	115,155	190,829
Florida	Doctors Company	Remainder of State	21,934	46,399	59,054	97,861
Florida	First Professionals	Dade	42,772	90,479	115,155	190,829
Florida	First Professionals	Remainder of State	21,934	46,399	59,054	97,861
Florida	MAG Mutual	Dade and Broward	32,157	63,802	108,548	185,780
Florida	MAG Mutual	Remainder of State	15,080	29,702	50,091	84,454
Georgia	Doctors Company	Entire state	11,809	29,797	36,682	59,938
Georgia	MAG Mutual	Rest of state	19,369	23,180	35,468	64,884
Georgia	MAG Mutual	North Georgia	11,621	13,908	21,281	38,930
Georgia	Medical Protective	Rest of state	15,204	34,058	41,965	67,144
Georgia	Medical Protective	Catoosa, Chattooga, Dade, Fannin, Floyd, Gilmer etc.	12,164	27,245	33,571	53,712
Illinois	Doctors Company	Cook, Madison, St. Clair	34,799	98,832	78,735	153,299
Illinois	Doctors Company	Adams, Knox, Peoria, Rock Island	16,355	46,451	35,434	72,050
Illinois	ISMIE Mutual	Madison	34,196	59,052	104,944	147,012
Illinois	ISMIE Mutual	Adams, Knox, Peoria, Rock Island	15,620	26,272	45,940	63,972
Illinois	Medical Protective	Cook, Jackson, Madison, St. Clair, Will	30,572	78,735	97,905	127,083
Illinois	Medical Protective	Adams, Knox, Peoria, Rock Island	13,758	35,434	46,016	57,192
Massachusetts	Connecticut Medical	Entire state	13,177	28,335	43,004	110,275
Massachusetts	Medical Protective	Entire state	23,002	36,407	37,732	80,758
Massachusetts	Medical Professional Mutual	Entire State	16,404	33,170	48,353	104,071



State	Company	Territory	Family	Emergency	Orthopedist	Obstetrician
			Practitioner	Room		
New Jersey	Princeton Insurance Co.	Entire state	20,544	40,801	47,017	97,629
New Jersey	MDAdvantage	Entire state	10,088	13,207	32,867	71,179
New Jersey	ProSelect	Entire state	12,203	28,860	56,561	108,082
New York	Medical Liability Mutual	Nassau, Suffolk	26,054	63,632	137,662	184,806
New York	Medical Liability Mutual	Livingston, Monroe, Ontario, Seneca, Wayne, Yates	5,202	12,705	27,487	36,900
New York	Academic Health Professionals	Nassau, Suffolk	24,583	60,039	129,890	174,373
New York	Academic Health Professionals	Livingston, Monroe, Ontario, Seneca, Wayne, Yates	4,908	11,988	25,935	34,817
New York	Physicians' Reciprocal Insurers	Nassau, Suffolk	40,052	42,363	149,493	214,999
New York	Physicians' Reciprocal Insurers	Livingston, Monroe, Ontario, Yates	11,696	12,371	43,659	62,790
Ohio	ProAssurance	Cuyahoga, Lorain	23,729	56,378	72,702	110,792
Ohio	ProAssurance	Adams, Brown, Butler, Clark, Clermont, Clinton, Darke, Greene etc.	13,221	30,109	38,552	58,254
Ohio	Doctors Company	Cuyahoga, Lorain, Mahoning, Portage and Trumbull Counties	17,499	46,772	50,510	82,202
Ohio	Doctors Company	Brown, Butler, Clark, Clermont, Clinton, Darke, Greene, Hamilton, Miami, Montgomery, Preble and Warren Counties	10,173	25,832	29,143	47,408
Ohio	Medical Protective	Ashtabula, Cuyahoga, Geauga, Lake, Lorain, Magoning, Portage, Trumbull	22,678	52,357	62,118	97,614
Ohio	Medical Protective	Brown, Butler, Clark, Clermont, Clinton, Darke, Greene, Hamilton, etc.	11,661	26,924	31,942	50,198
Pennsylvania	PMSLIC	Delaware and Philadelphia	23,482	53,943	101,297	133,539
Pennsylvania	PMSLIC	Adams, Allegheny, Armstrong, Beaver, Bedford, Berks etc.	15,023	31,697	57,268	74,678
Pennsylvania	Medical Protective	Delaware and Philadelphia	22,833	70,403	82,773	133,197
Pennsylvania	Medical Protective	Remainder of State	13,354	41,172	48,405	77,892

**Appendix B**  
**Total Medical Malpractice Data for States and U.S. Territories**  
**2012**

2012 Rank	2011 Rank	State	Direct Written Premium	Direct Earned Premium	Incurred Losses	Incurred DCC
1	1	New York	\$1,672,174,611	\$1,678,656,621	\$1,127,536,507	\$394,208,260
2	2	California	\$770,400,161	\$778,077,771	\$293,946,594	\$182,528,843
3	3	Pennsylvania	\$697,372,517	\$688,721,395	\$272,062,552	\$134,209,209
4	4	Illinois	\$569,045,595	\$587,579,865	\$161,602,757	\$89,698,865
<b>5</b>	<b>5</b>	<b>Florida</b>	<b>\$516,114,686</b>	<b>\$520,286,156</b>	<b>\$180,070,098</b>	<b>\$93,290,250</b>
6	6	New Jersey	\$485,350,693	\$471,987,046	\$212,483,578	\$82,170,181
7	8	Ohio	\$323,354,262	\$336,176,075	\$33,802,902	\$36,958,350
8	7	Texas	\$317,413,091	\$325,461,136	\$80,837,055	\$44,592,353
9	9	Massachusetts	\$307,492,936	\$319,934,244	\$147,444,597	\$51,694,575
10	10	Georgia	\$284,054,927	\$289,327,293	\$101,925,174	\$47,333,479
11	11	Maryland	\$283,059,524	\$277,380,859	\$184,187,419	\$66,609,566
12	13	Tennessee	\$232,507,264	\$231,690,067	\$140,522,581	\$98,955,029
13	12	Arizona	\$227,339,783	\$231,990,290	\$63,019,385	\$37,303,937
14	14	North Carolina	\$210,370,797	\$220,251,384	\$70,529,127	\$37,623,048
15	15	Virginia	\$207,614,495	\$211,452,005	\$86,840,565	\$34,149,621
16	16	Washington	\$201,288,240	\$193,926,182	\$69,871,999	\$39,127,342
17	17	Michigan	\$201,190,880	\$199,300,700	\$67,624,087	\$12,496,763
18	19	Connecticut	\$172,801,837	\$183,579,600	\$46,165,381	\$17,855,380
19	20	Colorado	\$164,357,966	\$162,206,943	\$42,770,099	\$34,830,207
20	18	Missouri	\$160,534,712	\$163,920,022	\$30,873,761	\$29,593,486
21	21	Alabama	\$131,536,221	\$135,023,730	\$25,600,816	(\$616,052)
22	22	Kentucky	\$127,623,972	\$131,156,129	\$59,355,993	\$34,415,590
23	23	Indiana	\$117,870,621	\$117,651,302	\$36,562,885	\$43,896,894
24	24	Oklahoma	\$114,223,774	\$113,435,087	\$34,818,092	\$20,371,754
25	25	Oregon	\$93,012,574	\$93,470,677	\$45,021,907	\$20,468,439
26	26	Louisiana	\$91,832,163	\$92,638,729	\$12,815,934	\$26,803,659
27	27	Wisconsin	\$86,781,133	\$85,979,216	(\$20,573,717)	\$3,993,194
28	28	Minnesota	\$84,933,616	\$86,074,427	\$27,558,884	\$6,330,011
29	29	Nevada	\$81,248,255	\$81,938,970	(\$4,590,705)	\$10,006,805
30	30	West Virginia	\$81,043,656	\$81,410,766	\$7,657,780	\$17,055,822
31	31	Iowa	\$73,550,117	\$73,457,600	\$33,660,250	\$11,019,104
32	33	Puerto Rico	\$69,427,899	\$69,815,833	\$33,366,613	\$12,780,059
33	34	Arkansas	\$66,620,893	\$68,968,752	\$21,502,876	\$30,105,568
34	32	Kansas	\$64,490,325	\$66,476,393	\$9,602,307	\$8,842,776
35	35	Utah	\$63,543,841	\$64,375,690	\$12,581,135	\$13,087,808
36	36	South Carolina	\$61,096,068	\$63,976,584	\$31,228,944	\$11,269,786
37	37	Mississippi	\$52,280,736	\$54,491,757	\$9,446,904	\$9,256,337
38	38	New Mexico	\$49,298,834	\$51,120,768	\$35,769,812	\$17,355,659

2012 Rank	2011 Rank	State	Direct Written Premium	Direct Earned Premium	Incurred Losses	Incurred DCC
39	39	Maine	\$46,768,856	\$47,215,038	\$17,601,266	\$10,958,826
40	42	Rhode Island	\$42,721,218	\$40,413,542	\$41,111,419	\$9,714,539
41	40	Montana	\$41,492,130	\$41,101,963	\$4,604,020	\$8,289,802
42	43	New Hampshire	\$39,022,959	\$36,654,266	\$41,807,391	\$6,998,583
43	41	Delaware	\$38,710,439	\$38,926,409	\$86,637,201	\$14,988,473
44	44	District of Columbia	\$36,631,372	\$40,272,471	\$3,292,200	\$17,874,045
45	45	Nebraska	\$34,181,711	\$34,443,944	\$10,303,660	\$4,415,649
46	46	Idaho	\$30,644,084	\$31,207,492	\$4,929,271	\$6,749,363
47	47	Hawaii	\$29,701,259	\$28,840,466	\$1,836,527	\$4,396,965
48	48	Wyoming	\$24,532,171	\$24,676,125	\$11,410,747	\$6,404,717
49	49	Alaska	\$21,995,210	\$21,754,598	\$4,230,761	\$4,539,370
50	50	Vermont	\$20,681,844	\$20,293,458	\$5,388,780	\$488,528
51	51	South Dakota	\$19,268,262	\$19,536,101	\$3,993,298	\$3,003,703
52	52	North Dakota	\$11,265,063	\$11,307,296	(\$146,198)	\$1,423,698
53	54	Guam	\$690,131	\$700,137	\$164,504	\$120,345
54	55	U.S. Virgin Islands	\$200,702	\$180,447	\$36,923	\$13,851
55	53	Other Territories	(\$2,722,003)	(\$2,163,828)	\$1,007,093	(\$364,926)
		<b>Grand Total</b>	<b>\$9,950,039,083</b>	<b>\$10,038,727,989</b>	<b>\$4,063,711,791</b>	<b>\$1,961,687,488</b>

## **Appendix C**

### **Total Medical Malpractice Loss and DCC Ratios (Profitability) of States and Territories**

**2012**

2012 Rank	2011 Rank	State	Loss and DCC Ratio
1	55	Other Territories	-29.7%
2	3	Wisconsin	-19.3%
3	27	Nevada	6.6%
4	47	North Dakota	11.3%
5	14	Alabama	18.5%
6	6	Ohio	21.0%
7	46	Hawaii	21.6%
8	4	Kansas	27.7%
9	45	U.S. Virgin Islands	28.1%
10	8	Vermont	29.0%
11	48	West Virginia	30.4%
12	39	Montana	31.4%
13	9	Mississippi	34.3%
14	31	Connecticut	34.9%
15	28	South Dakota	35.8%
16	11	Missouri	36.9%
17	2	Idaho	37.4%
18	5	Texas	38.5%
19	38	Minnesota	39.4%
20	22	Utah	39.9%
21	15	Michigan	40.2%
22	29	Alaska	40.3%
23	1	Guam	40.7%
24	37	Nebraska	42.7%
25	21	Louisiana	42.8%
26	25	Illinois	42.8%
27	7	Arizona	43.2%
28	12	Colorado	47.8%
29	40	Oklahoma	48.7%
30	13	North Carolina	49.1%
31	23	Georgia	51.6%
<b>32</b>	<b>18</b>	<b>Florida</b>	<b>52.5%</b>
33	10	District of Columbia	52.6%
34	33	Washington	56.2%
35	16	Virginia	57.2%

<b>2012 Rank</b>	<b>2011 Rank</b>	<b>State</b>	<b>Loss and DCC Ratio</b>
36	49	Pennsylvania	59.0%
37	19	Maine	60.5%
38	26	Iowa	60.8%
39	42	California	61.2%
40	17	Massachusetts	62.2%
41	41	New Jersey	62.4%
42	32	Puerto Rico	66.1%
43	51	South Carolina	66.4%
44	24	Indiana	68.4%
45	20	Oregon	70.1%
46	43	Kentucky	71.5%
47	52	Wyoming	72.2%
48	30	Arkansas	74.8%
49	36	Maryland	90.4%
50	54	New York	90.7%
51	34	Tennessee	103.4%
52	53	New Mexico	103.9%
53	50	Rhode Island	125.8%
54	44	New Hampshire	133.2%
55	35	Delaware	261.1%
		<b>National Average</b>	<b>60.0%</b>

**Appendix D**

**Physicians Malpractice Data for States and U.S. Territories**

**2012**



Written Premium Rank	State	Direct Physicians Written Premium	Direct Physicians Earned Premium	Direct Physicians Incurred Loss	Loss Ratio
1	New York	\$991,429,768	\$1,000,866,112	\$690,602,039	69.0%
2	California	\$481,015,569	\$487,158,027	\$213,025,927	43.7%
3	Illinois	\$427,903,829	\$443,158,928	\$113,759,846	25.7%
<b>4</b>	<b>Florida</b>	<b>\$357,541,785</b>	<b>\$359,913,349</b>	<b>\$115,350,157</b>	<b>32.0%</b>
5	New Jersey	\$349,936,767	\$338,278,281	\$134,499,927	39.8%
6	Pennsylvania	\$307,116,670	\$316,324,887	\$104,671,508	33.1%
7	Ohio	\$216,579,606	\$230,305,476	\$8,227,085	3.6%
8	Georgia	\$190,562,484	\$200,101,260	\$37,455,363	18.7%
9	Maryland	\$171,052,226	\$168,452,223	\$67,808,689	40.3%
10	Texas	\$165,673,685	\$173,812,126	\$38,063,871	21.9%
11	Arizona	\$165,342,155	\$170,315,682	\$37,573,817	22.1%
12	Virginia	\$154,643,322	\$157,419,723	\$67,354,415	42.8%
13	Tennessee	\$151,506,834	\$151,547,473	\$80,756,626	53.3%
14	Massachusetts	\$133,356,348	\$144,598,340	\$40,970,480	28.3%
15	North Carolina	\$131,716,617	\$139,313,642	\$49,483,906	35.5%
16	Michigan	\$123,310,827	\$120,987,127	\$24,550,025	20.3%
17	Washington	\$118,646,251	\$118,021,414	\$44,267,346	37.5%
18	Colorado	\$111,521,339	\$111,735,622	\$15,310,632	13.7%
19	Missouri	\$102,501,262	\$105,899,684	\$2,078,617	2.0%
20	Connecticut	\$101,383,395	\$113,263,943	\$38,451,843	33.9%
21	Kentucky	\$83,990,093	\$86,468,805	\$39,677,579	45.9%
22	Alabama	\$82,193,407	\$85,725,969	\$20,912,699	24.4%
23	Oklahoma	\$79,156,884	\$77,123,889	\$16,738,617	21.7%
24	Indiana	\$68,980,927	\$69,006,155	\$18,937,013	27.4%
25	Nevada	\$64,845,106	\$65,302,899	(\$2,503,741)	-3.8%
26	Oregon	\$61,715,849	\$62,847,312	\$34,756,865	55.3%
27	Louisiana	\$54,909,851	\$55,919,871	\$3,969,819	7.1%
28	Utah	\$51,074,295	\$51,604,652	\$9,934,773	19.3%
29	Minnesota	\$49,321,711	\$49,771,552	\$20,717,151	41.6%
30	West Virginia	\$43,657,853	\$44,800,396	\$457,909	1.0%
31	Arkansas	\$43,004,196	\$43,436,066	\$13,311,091	30.6%
32	Wisconsin	\$42,237,908	\$43,380,569	(\$20,965,141)	-48.3%
33	Iowa	\$41,616,225	\$42,437,700	\$25,460,123	60.0%
34	South Carolina	\$40,259,835	\$41,418,273	\$8,124,192	19.6%
35	Kansas	\$40,109,673	\$41,967,794	\$4,587,453	10.9%
36	Puerto Rico	\$34,536,972	\$34,603,450	\$18,179,425	52.5%
37	Delaware	\$30,583,032	\$31,625,487	\$13,529,915	42.8%
38	Rhode Island	\$26,743,289	\$24,776,075	\$35,772,656	144.4%
39	Maine	\$26,495,281	\$26,906,745	\$13,141,316	48.8%
40	District of Columbia	\$25,990,015	\$27,825,699	(\$1,780,160)	-6.4%
41	New Mexico	\$24,891,796	\$26,277,987	\$23,994,552	91.3%
42	Montana	\$24,249,841	\$23,866,669	\$4,732,849	19.8%
43	New Hampshire	\$21,892,366	\$19,617,841	\$24,204,752	123.4%

Written Premium Rank	State	Direct Physicians Written Premium	Direct Physicians Earned Premium	Direct Physicians Incurred Loss	Loss Ratio
44	Mississippi	\$19,221,422	\$19,952,395	\$605,211	3.0%
45	Nebraska	\$18,992,784	\$19,403,815	\$8,963,859	46.2%
46	Idaho	\$18,496,982	\$19,709,054	\$7,911,169	40.1%
47	Hawaii	\$18,401,799	\$17,777,308	\$931,645	5.2%
48	Wyoming	\$15,411,148	\$15,583,877	\$3,940,084	25.3%
49	Alaska	\$15,024,576	\$14,669,187	\$2,342,856	16.0%
50	South Dakota	\$11,811,363	\$11,972,760	\$2,966,210	24.8%
51	Vermont	\$11,218,836	\$10,597,684	(\$593,838)	-5.6%
52	North Dakota	\$5,211,810	\$5,428,365	\$110,408	2.0%
53	Aggregate Other Alien	\$1,707,396	\$0	\$114,505	
54	Guam	\$596,141	\$610,596	\$164,945	27.0%
55	US Virgin Islands	\$0	\$0	\$0	
56	Canada	\$0	\$0	\$0	
57	Northern Mariana Islands	\$0	\$0	\$0	
58	American Samoa	\$0	\$0	\$88	
	<b>Grand Total</b>	<b>\$6,151,291,401</b>	<b>\$6,263,890,215</b>	<b>\$2,277,610,968</b>	<b>36.4%</b>

## **Appendix E**

### **Written Premium in Top 5 States of Leading Florida Malpractice Carriers**

**2012**

Company	State 1	State 2	State 3	State 4	State 5
Doctors Company Group					
First Professionals Insurance Company	FL	GA	AR	IL	SC
	\$98,677,086	\$8,327,466	\$7,215,102	\$3,975,274	\$3,211,453
Doctors Company, an Interinsurance Exchange	CA	OH	FL	VA	MI
	\$202,633,426	\$66,715,269	\$40,735,174	\$38,624,171	\$32,803,830
Anesthesiologists Professional Assurance Company	FL	TX	GA	AZ	AL
	\$4,733,512	\$1,005,467	\$413,430	\$69,644	\$68,442
MAG Mutual Insurance Company	GA	FL	NC	SC	VA
	\$101,662,224	\$51,948,790	\$35,202,947	\$1,918,463	\$14,347,053
Florida Doctors Insurance Company	FL	-	-	-	-
	\$31,514,861	-	-	-	-
The Medical Protective Company	PA	OH	TX	NJ	IN
	\$82,478,963	\$70,726,162	\$48,582,488	\$36,604,295	\$32,329,006
ProAssurance Casualty Company	MI	WI	FL	DE	IL
	\$30,573,759	\$23,319,427	\$21,633,335	\$16,395,514	\$15,569,959
Lexington Insurance Company	TN	IL	NY	CA	NJ
	\$32,741,036	\$27,057,361	\$26,837,896	\$26,597,182	\$16,018,290
American Casualty Company of Reading, Pennsylvania	CA	NY	FL	PA	NJ
	\$16,094,553	\$13,151,322	\$11,296,457	\$10,209,359	\$9,282,627
Columbia Casualty Company	CA	TX	FL	TN	IL
	\$25,853,213	\$19,113,477	\$8,687,785	\$7,928,991	\$7,749,942
Evanston Insurance Company	FL	TX	CA	PA	NY
	\$8,561,354	\$7,902,158	\$7,599,828	\$7,516,814	\$5,307,722
Darwin Select Insurance Company	PA	NC	IL	FL	CA
	\$14,212,795	\$9,738,769	\$8,840,397	\$8,537,568	\$5,915,682
MedMal Direct Insurance Company	FL	-	-	-	-
	\$8,120,879	-	-	-	-
Samaritan RRG, Inc.	FL	-	-	-	-
	\$8,041,677	-	-	-	-
Podiatry Insurance Company of America	NY	FL	IL	CA	NJ
	\$10,536,439	\$6,778,741	\$6,478,054	\$6,055,471	\$5,313,406
Southwest Physicians RRG, Inc.	FL	PA	MS	MO	OK
	\$6,469,273	\$4,396,652	\$1,053,747	\$1,000,073	\$911,091

Company	State 1	State 2	State 3	State 4	State 5
Physicians Insurance Company	FL	TX	-	-	-
	\$6,400,363	\$77,905	-	-	-
Healthcare Underwriters Group of Florida	FL	-	-	-	-
	\$6,374,905	-	-	-	-
Admiral Insurance Company	CA	NY	PR	FL	TX
	\$9,792,787	\$8,912,652	\$8,167,407	\$6,165,734	\$5,110,789
National Union Fire Insurance Company of Pittsburg, PA	NY	CA	WV	PA	FL
	\$18,462,416	\$16,174,131	\$9,464,920	\$6,971,307	\$6,043,285
Ophthalmic Mutual Insurance Company RRG	FL	IL	CA	TX	VA
	\$5,929,504	\$5,371,392	\$4,212,673	\$2,819,831	\$1,960,197
Homeland Insurance Company of New York	CA	VA	IL	PA	FL
	\$11,103,747	\$8,235,627	\$6,644,930	\$6,430,540	\$5,889,117
Physicians Professional Liability RRG, Inc.	FL	-	-	-	-
	\$5,817,241	-	-	-	-
Lancet Indemnity RRG, Inc.	FL	CA	MI	GA	KY
	\$5,816,385	\$2,441,843	\$1,500,596	\$366,147	\$322,954
Applied Medico Legal Solutions RRG	NY	FL	AZ	CT	TX
	\$16,400,528	\$5,775,059	\$3,789,037	\$3,056,826	\$2,721,264
OMS National Insurance Company, RRG	NY	FL	CA	NJ	PA
	\$9,378,633	\$5,536,081	\$5,272,984	\$4,014,227	\$3,805,118
Nautilus Insurance Company	FL	TN	CO	GA	IL
	\$5,456,910	\$3,209,845	\$3,104,597	\$2,948,388	\$2,520,677

## **Appendix F**

### **Loss and DCC Ratios of Leading Florida Malpractice Carriers in Their Top 5 States**

**2012**

Company	State 1	State 2	State 3	State 4	State 5
Doctors Company Group					
First Professionals Insurance Company	FL	GA	AR	IL	SC
	73%	76%	76%	76%	76%
Doctors Company, an Interinsurance Exchange	CA	OH	FL	VA	MI
	68%	43%	39%	84%	134%
Anesthesiologists Professional Assurance Company	FL	TX	GA	AZ	AL
	7%	25%	-55%	-197%	-281%
MAG Mutual Insurance Company	GA	FL	NC	SC	VA
	20%	99%	100%	50%	98%
Florida Doctors Insurance Company	FL	-	-	-	-
	58%	-	-	-	-
The Medical Protective Company	PA	OH	TX	NJ	IN
	43%	9%	8%	48%	52%
ProAssurance Casualty Company	MI	WI	FL	DE	IL
	-48%	-124%	-60%	119%	27%
The Healthcare Underwriting Company RRG	FL	PA	NE	-	-
	94%	129%	-4%	-	-
Lexington Insurance Company	TN	IL	NY	CA	NJ
	163%	59%	127%	108%	-6%
American Casualty Company of Reading, Pennsylvania	CA	NY	FL	PA	NJ
	30%	36%	84%	35%	108%
Columbia Casualty Company	CA	TX	FL	TN	IL
	148%	102%	85%	21%	86%
Evanston Insurance Company	FL	TX	CA	PA	NY
	78%	19%	34%	28%	67%
Darwin Select Insurance Company	PA	NC	IL	FL	CA
	115%	38%	59%	5%	114%
MedMal Direct Insurance Company	FL	-	-	-	-
	62%	-	-	-	-
Samaritan RRG, Inc.	FL	-	-	-	-
	46%	-	-	-	-
Podiatry Insurance Company of America	NY	FL	IL	CA	NJ
	71%	64%	62%	66%	72%
Southwest Physicians RRG, Inc.	FL	PA	MS	MO	OK
	62%	56%	45%	79%	14%

Company	State 1	State 2	State 3	State 4	State 5
Physicians Insurance Company	FL	TX	-	-	-
	72%	0%	-	-	-
Healthcare Underwriters Group of Florida	FL	-	-	-	-
	45%	-	-	-	-
Admiral Insurance Company	CA	NY	PR	FL	TX
	25%	52%	97%	72%	86%
National Union Fire Insurance Company of Pittsburg, PA	NY	CA	WV	PA	FL
	52%	38%	-75%	1%	-29%
Ophthalmic Mutual Insurance Company RRG	FL	IL	CA	TX	VA
	22%	42%	79%	16%	72%
Homeland Insurance Company of New York	CA	VA	IL	PA	FL
	125%	29%	45%	139%	51%
Physicians Professional Liability RRG, Inc.	FL	-	-	-	-
	45%	-	-	-	-
Lancet Indemnity RRG, Inc.	FL	CA	MI	GA	KY
	83%	54%	51%	30%	117%
Applied Medico Legal Solutions RRG	NY	FL	AZ	CT	TX
	58%	31%	17%	93%	90%
OMS National Insurance Company, RRG	NY	FL	CA	NJ	PA
	68%	94%	49%	9%	22%
Nautilus Insurance Company	FL	TN	CO	GA	IL
	69%	-5%	223%	51%	5%